

# Report of the Strategic Director Corporate Resources to the meeting of the Governance and Audit Committee to be held on 25 January 2024

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## Subject:

Annual Governance Statement 2022-23 Review

## Summary statement:

This report reviews progress on the significant governance concerns reported in the Council's Annual Governance Statement 2022-23, and asks that members consider potential areas for inclusion in the next management assurance questionnaire that will help inform the 2023-24 Annual Governance Statement.

## Equality and Diversity

*Delivery of the equality agenda was included in the management assurance questionnaire process. The Council continues to do important work to enable inclusion for its service-users and the community.*

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**Portfolio: Corporate**

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**Improvement Area: Corporate**

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## 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 2022-2023.

## 2. Update on 2022-23 Significant Governance Concerns

**2.1** An annual governance review is undertaken against the principles contained in the CIPFA / Solace framework – Delivering Good Governance in Local Government, which are also incorporated into the Council's Code of Corporate Governance.

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.

The review undertaken informs the Annual Governance Statement.

**2.2** The Annual Governance Statement 2022/23 was formally reviewed by the Governance & Audit Committee at its meeting on the 21<sup>st</sup> of September 2023. The Committee subsequently resolved that the Leader of the Council and the Chief Executive be authorised to sign the document on behalf of the Council for inclusion with the Statement of Accounts for 2022/23.

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

The Annual Governance Statement identified two areas of continuing governance challenge;

- Safeguarding Vulnerable People
- Organisational Capacity and its Impact on Statutory Compliance

Three further governance challenges for 2023/24 were also identified;

- Bradford Children and Families Trust (BCFT)
- Bradford UK City of Culture 2025
- Delays in External Audit

**2.4** A review of these governance issues has been undertaken with updated positions provided by the relevant managers, as shown in Appendix 1. For clarity, safeguarding vulnerable people has been split between adults and children (within BCFT) in this update.

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Further to the submission of the 22-23 Annual Governance statement, the Council's financial position has deteriorated further meaning the setting of the 24-25 budget will be the most difficult the Council has experienced to date and even harder than those in the earliest years of austerity. Setting a balanced budget will not be achievable without financial support from government. The 23-24 Annual Governance Statement will contain more information in relation to the current position when some of the current uncertainties have been clarified. The Council has set up the Bradford Budget Emergency Response Team to identify an initial response to the worsening position which includes further reviews of reserves, service reductions, savings, and the control of non-essential spend. It is imperative that the Council develop and realise a plan to attain financial sustainability. The emergency response work referred to has identified that this response will require significant transformation to all aspects of the Council's activities and is likely to take up to 5 years to deliver.

### **3. 2023/24 Annual Governance Review**

**3.1** Planning for the next annual governance review has started to help ensure full coverage of the seven CIPFA / SOLACE principles of good governance. As part of this process, the Risk Manager hosted a regional peer group on 11 January to provide assurance that we share and maintain alignment with good practice applied across the region (principally West and South Yorkshire).

**3.2** As part of the review, a Management Assurance Questionnaire (MAQ) is sent to all 4<sup>th</sup> tier officers (Heads of Service level officers who report to Assistant Director level within Departments). As reported in the Annual Governance Statement 2022/23, the process targets different aspects of the governance framework each year. For 2022/23, the process covered the following areas.

- Behaviours and Values.
- Employee Code of Conduct.
- Regulatory Compliance.
- Whistleblowing.
- Procurement.
- Equality.
- Service Planning (including environmental impacts).
- Performance.
- Scheme of Delegation.
- Safeguarding.
- Health & Safety.
- Risk Management.
- Records Management & Information Security.
- Compliance with the Council's Financial Regulations & Budgetary Control.
- Partnerships.

**3.3** The next MAQ for 2023/24 is currently expected to follow a similar format though is expected to include some different areas as the questions vary each year. Members are welcome to propose any specific areas of corporate policy for inclusion in this process. In the past the following areas have also been reviewed.

- Response to Internal and External reviews.
- Conflicts of Interest.
- Business Impact Analysis and Business Continuity Arrangements.

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- Harassment and Bullying.
  - Gifts and Hospitality.
  - Constitution and Decision Making.
  - Financial Systems.
  - Sickness.
  - Corporate Parenting.

Prior to 2020/21 Strategic Directors and the Chief Executive were asked to report on the level of compliance with defined key controls in the following six areas.

- Collection & Banking of Income.
- Procure to Pay.
- Information Security.
- Inventories & Equipment.
- Human Resources & Payroll.
- SAP Accounts Receivable.

#### **4. Financial and resources appraisal**

There are no direct financial implications arising from this report, although consideration of resource issues is included as a key governance issue.

#### **5. Risk Management and Governance Issues**

The Council's risk management framework remains in place. Corporate strategic risks are reviewed regularly, and at least at quarterly intervals, with reports provided to CMT and the Executive. The Risk Manager is also currently undertaking a review of the Departmental risk registers that sit below the strategic risk register, to ensure an effective risk management framework continues to be in place within each department and that key strategic risks continue to be identified and escalated by Strategic Directors as considered appropriate.

#### **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.

#### **7. Other implications**

##### **7.1 Equality and Diversity**

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

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## **7.2 Greenhouse Gas Emission Impacts**

There are no direct impacts on gas emissions.

## **7.3 Sustainability Implications**

The Annual Governance Statement reports on the conclusions made from the annual governance review which examines the sustainability of the Council's activity and 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 Review takes 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**

The Annual Governance Statement does not focus on individual ward issues.

## **7.8 Implications for Corporate Parenting**

The Annual Governance Statement includes concerns raised in relation to Childrens Services.

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

None

## **8. Not for publication documents**

None.

## **9. Options**

Members may –

- Endorse the report.
- Provide comment or instruction.
- Bring forward any new governance concerns which should be reviewed, assessed, or examined for the 2023-24 Annual Governance Statement.
- Require further information.

## **10. Recommendations**

That members –

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- 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 2023-24 process.
  - Raise for consideration any areas of corporate policy that they would like specifically including in the next management assurance questionnaire (MAQ), if any, that will form part of the 2023/24 annual governance review.

## **11. Appendices**

Appendix 1 - Annual Governance Statement 2022-23: Review of Recognised Governance Challenges.

## **12. Background documents**

“Annual Governance Statement 2022-23” – report to Governance and Audit Committee on 21st September 2023 by the Director of Finance and IT.

## Annual Governance Statement 2022-23: Review of Recognised Governance Challenges

Governance Challenge	Update and new challenges provided in the Annual Governance Statement 2022-23	Update for the Governance and Audit Committee meeting on 25 January 2024	Responder
Safeguarding Vulnerable Adults	<p>Adult Safeguarding is the focus of the Health and Well Being Board who monitor the key risks facing the sector such as the risk of failure of independent or in-house providers, inadequate quality assurance processes, a breakdown with key partners or the lack of effective communication.</p>	<p>A new Bradford Safeguarding Adults Board chair, Dr Terry Hudson, has been appointed to renew our business plan, assurance mechanisms and partnership activity.</p> <p>A recent peer review of adult social care in Bradford highlighted “a good safeguarding partnership in place and a strengthened SAB with a clear vision and priorities” with “a robust safeguarding team enabling timely and consistent responses”. The peer reviewers recommended “continuing the progress to preventing abuse and neglect, look at the public narrative on safeguarding – including web-based information and to continue to develop the approach to assurance by SAB.”</p>	Iain MacBeath
Organisational Capacity and its Impact on Statutory Compliance	<p>There continues to be local and national shortages of professional, specialist and skilled staff within the employment market which has led to recruitment and retention difficulties in key posts.</p> <p>The Council has embarked on a programme to address the financial sustainability which includes focusing on Income, Costs, the Childrens Trust, Capital Programmes and the judicious management of Reserves.</p> <p>Within Procurement compliance, governance and forward planning are the key priorities for the team.</p> <p>Overall, the Council has the required policies in place to support the delivery of services. However, a number of these functions overlap, such as disaster recovery, risk management, emergency planning and business continuity planning. There are also other significant statutory compliance arrangements that the Council must follow that cover Human Resources, Legal and Financial functions. It is the case that for the Council to be fully compliant, large numbers of officers need to be aware of the correct processes and there needs to be capacity to deliver the associated administration. The Council is now in a position where capacity issues limit</p>	<p>The “Pillars” programme was introduced at the start of the financial year to address the financial sustainability of the Council. Whilst this has identified a number of savings, including a comprehensive review of reserves it has not been able to address the depth of the increasing budgetary gap. Consequently, to increase pace, the Council set-up the Bradford Budget Emergency Response Team (BBERT) in November to identify further savings and opportunities including a further review of reserves, service reductions/savings, income and further control mechanisms for non-essential spend.</p> <p>As part of the financial response the Council has introduced stricter controls on recruitment with all potential vacancies now approved at Council Management Team to ensure only critical posts are recruited to. However, there continues to be a need to address resource and skills shortages and fill key vacancies. This is being achieved through initiatives in job re-design, talent attraction, market rate supplements, advertising, and recruitment strategies including an internal graduate programme.</p> <p>Improvements have been made to some procurement processes although there remains a key staffing resources issue in this service. A number of external recruitments are currently in progress.</p> <p>Despite the emergency management response to the corporate financial situation, the budgetary position has continued to worsen and setting the</p>	Joanne Hyde / Christopher Kinsella / Mark St Romaine / Anne Lloyd

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	<p>the Council's capability to ensure compliance authority wide. The implications of this will need to be monitored in 2023/24.</p>	<p>24-25 budget will be the most difficult that the Council has experience to date. It will not be possible to balance 23-24 budget or to set a balanced budget for 24-25 without exceptional financial support from the Government.</p>	
<p>Bradford Children and Families Trust (BCFT) (Including Childrens Safeguarding)</p>	<p>A number of significant changes have occurred with Childrens social care being transferred to the Bradford Children and Families Trust on the 1st April 2023. The arrangements across the District are still being monitored through the Ofsted Inspection process.</p> <p>BCFT is a wholly owned subsidiary company of the Council, with operational independence from the Council in respect of the day-to-day management and performance. The Trust is overseen, managed, and regulated by its Board of Trustees, and Chaired by an Independent Chair Eileen Milner. The Council in line with contractual arrangements between the Council and the Trust, scrutinises its delivery against the Contract. The Council remains the statutory body responsible for children's services and the accountable body in relation to Ofsted inspections.</p>	<p>The Bradford Childrens and Families Trust have been operational since the 1 April 2023. The trust are commissioned by the Council to deliver a range of services for children, families and young people on their behalf.</p> <p>Bradford Council remains the accountable statutory body for children's services and the Trust are accountable to the council for the delivery of the agreed outcomes stipulated in the shared service delivery contract.</p> <p>The arrangements across the district are monitored via the OFSTED Inspection process. The most recent Ofsted Monitoring visit took place on 8th and 9th November 2023. Inspectors highlighted several key areas that are currently showing improvement, including the management of safeguarding concerns through multi-agency strategy meetings, the management of child in need and child protection assessment and planning, and improved performance data and quality assurance. It was noted that the Bradford Childrens &amp; Families Trust now has a detailed understanding of the issues that need improvement in child in need and child protection planning which is enabling more targeted and recent improvement activity.</p> <p>There are a range of internal review mechanisms in place which are shared by the council and the trust. These are designed to monitor the efficiency of the contract and come in the form of a suite of oversight meetings and the management and dissemination of KPI's.</p> <p>Embedded into the current partnership framework are two deliberative meetings (the Operational Joint Working Group and the Strategic Joint Working Group) whose quorum is made up from colleagues from the council and the Trust.</p> <p>The Operational Joint Working Group has oversight of contract management and performance pursuant to schedule 6 (performance framework). The group also discusses financial matters pursuant to schedule 5 (the financial mechanism). The Strategic Joint Working</p>	<p>Marium Haque / Andrew Stevens</p>



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		<p>Group provides executive oversight of the trust's delivery of statutory responsibilities.</p> <p>The overall effectiveness of the service delivery contract is monitored via KPI's that are managed by the council in conjunction with the trust. The performance against each metric is measured against agreed tolerances and is kept under consistent review with information fed back into senior management meetings. There is a formal process of notification in place which is designed to address KPI's which are deviating from the agreed range. Consequently, this process of continuous review and shared analysis provides transparent, measurable, objective scrutiny and assurances to both parties.</p>	
Bradford UK City of Culture 2025	<p>Bradford Culture Company was created to develop and deliver the events programme as part of UK City of Culture 2025. One role of the Company is to maximise the resources available to deliver a spectacular UK City of Culture Year. The Company has achieved significant success in this regard and funding secured will exceed the targets initially established for the year, as set out in the bid for UK City of Culture status which secured the title. The Company is now in the process of recruiting to full establishment, and this is progressing well. For its part, the Council has committed a significant level of both Capital and Revenue funding to delivery of the UK City of Culture 2025. A review of existing governance arrangements in relation to UK City of Culture has been commissioned for completion during Autumn 2023. Any deficiencies or recommended improvements identified will form the basis of an action plan to ensure as we move towards 2025 a robust governance framework is in place between the parties. It will also ensure that there is clarity of responsibilities in the role of the Council as accountable body in relation to contributions / grants / donations by third parties towards delivery of UK City of Culture year, including (but not limited to) DCMS, WYCA and Arts Council / Heritage Lottery Fund. The role of the Council as financial guarantor of the 2025 programme will be reviewed along with any necessary controls required above and beyond existing measures. Any</p>	<p>The review of existing governance arrangements has been completed and deficiencies identified. As a result, the council's legal service and Programme Director for City of Culture has engaged with Bradford Culture Company Ltd (BCCL) and their legal representatives with an objective of agreeing a suite of governance policies and documents to ensure effective controls and good governance are in place. On December 5, 2023, Executive delegated authority to the Strategic Director, Place, in consultation with the Portfolio Holder for Healthy People and Places, together with the Director of Legal and Governance and Director of Finance and IT, to agree the detail and enter into any necessary agreements with DCMS (sponsoring Department for City of Culture) and BCCL. An interim grant agreement to BCCL in the sum of £500k (funded from the councils committed contribution to City of Culture delivery) has been agreed (December 20, 2023). The other required documentation, including agreements in relation to the council's other committed resources for City of Culture (£3m capital and £5.5m revenue) plus an overarching document setting out the roles, responsibilities and obligations of the three parties (DCMS, BCCL and the council), are at an advanced stage of drafting and will be agreed prior to the end of January 2024. Once adopted, an effective and robust governance regime will be in place against which progress can be reported through the council's formal governance structures.</p>	David Shepherd / Alan Lunt

Governance Challenge	Update and new challenges provided in the Annual Governance Statement 2022-23	Update for the Governance and Audit Committee meeting on 25 January 2024	Responder
	<p>revised arrangements will also look at representation and reporting and ensure that there is effective control of expenditure and delivery in relation to the post 2025 legacy activities of the council and Culture Company. A funding agreement will also be put in place which will determine the outcomes required and draw-down arrangements in relation to the council's £9m financial contribution towards delivery of UK City of Culture 2025.</p>		
<p>Delays in External Audit</p>	<p>Over the last four years there has been an increasing national backlog in the external audit of Councils' Statement of Accounts. This has been due to a shortage in capacity in the external audit market. Whilst Bradford had been able to avoid the early impact of these delays the Council's Statement of Accounts for 2021/22 is still to receive its Audit completion certificate. The Leader and Chief Executive have not therefore received the full assurance they could expect from the External Audit Process. The Department for Levelling Up Housing and Communities are looking to deliver a recovery plan which will address this national issue.</p>	<p>The government has come under increasing pressure to reform the external audit sector for local government as timeliness, which began to decline in 2017-18, worsened through the pandemic. This year just five English local government bodies had their 2022-23 accounts signed off by the end-of-September deadline. This summer, the government proposed waiving some reporting requirements and auditors publishing more qualified opinions and disclaimers of opinions on accounts as part of a "system reset" to clear the backlog. However, this could take up to five years, given the lack of capacity in both councils and audit firms. The Council's External Auditors, Mazars, have reported on progress in relation to Bradford Council's and the West Yorkshire Pension Fund's specific external audits. The Governance and Audit Committee have been told the audits are progressing on time, but due to national uncertainty on guidance delays in finalising the Audits are likely to continue.</p>	<p>Christopher Kinsella / Mark St Romaine</p>