

## **BIRMINGHAM CITY COUNCIL**

### **PUBLIC REPORT**

**Report to: AUDIT COMMITTEE**

**Report of: Interim Chief Finance Officer**

**Date of Meeting: 30 June 2020**

**Subject: 2019/20 ANNUAL GOVERNANCE STATEMENT**

**Wards Affected: All**

#### **1. Purpose of Report**

- 1.1. The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2019/20 and reports on the Council's internal control regime.
- 1.2. Section 6 of the AGS includes 8 key issues for the Council which may impact on the organisation's governance arrangements.

#### **2. Recommendations**

- 2.1. To approve the Annual Governance Statement that will be included in the 2019/20 Statement of Accounts.
- 2.2. To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee during the year.

### **3. Background**

- 3.1 One of the requirements for the Annual Governance Statement (AGS) is that it should reflect the governance arrangements for the financial year to which it relates, up to the date of approval of the Statement of Accounts.
- 3.2 The AGS forms part of the Council's annual Statement of Accounts. The Statement of Accounts will be available, post audit, at the meeting on 24 November 2020.
- 3.3 The significant issues raised in the Assurance Statement and audit processes are summarised in Section 6 of the AGS. This section comments very broadly on the Council's achievement of its central objectives and external assessments, it raises issues arising from joint working with partners and refers to significant matters highlighted by the annual review of internal control.

### **4. Legal and Resource Implications**

- 4.1 The AGS is a requirement of The Accounts and Audit Regulations 2015, Regulation 6(1)(b) and meets the corporate governance best practice recommendations. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No 404 were published on 30 April 2020. These regulations amend the publication dates of the draft accounts to no later than 31 August 2020 and the audited accounts to 30 November for local authorities. There are no direct resource implications arising from this report.

### **5. Risk Management & Equality Impact Assessment Issues**

- 5.1 The Statement forms part of the Council's risk management approach and the relevant issues are those considered in the attached schedule.

### **6. Compliance Issues**

- 6.1 The AGS forms part of the statutory requirements for the Council's Annual Statement of Accounts.
- 6.2 The Council's continued improvement in responding to the issues referred to in the Statement will complement the development and delivery of the Council of the Future's objectives.

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Annual Governance Statement 2019/20

## **Annual Governance Statement 2019/20**

### **1 Scope of responsibility**

- 1.1. Birmingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council 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, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2. In discharging this 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, and including arrangements for the management of risk.
- 1.3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016). This statement explains how the Council has complied with the framework and also meets the requirements of *The Accounts and Audit Regulations 2015*, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.4. The coronavirus pandemic has meant that we have had to make significant changes to our governance arrangements since the Council declared a major emergency on 23 March 2020. This governance statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20 and it also identifies significant changes that have arisen as a result of the pandemic.

### **2 The purpose of the governance framework**

- 2.1. The Council as a whole is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.
- 2.2. Good governance for the Council is ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner and the Council seeks to achieve its objectives while acting in the public interest at all times.
- 2.3. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.
- 2.4. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an

on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.5. The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the pandemic.

### 3 **The governance framework**

- 3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

#### The Council's vision and priorities for Birmingham

- 3.2. The Council has been on a journey to redefine its vision and purpose in serving the people of Birmingham, driving the necessary change to deliver a new Council role and relationship with the City, its citizens and its partners.

- 3.3. The Council's vision for the future of Birmingham is to create a city of growth, in which every child, citizen and place matters and to support this, the Council has set itself six clear priorities:

- **Birmingham - an entrepreneurial city to learn, work and invest in.**
- **Birmingham - an aspirational city to grow up in**
- **Birmingham - a fulfilling city to age well in**
- **Birmingham - a great city to live in.**
- **Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.**
- **Birmingham - a city that takes a leading role in tackling climate change.**

The sixth priority was added to the Council Plan in June 2019 when the Council declared a climate emergency.

- 3.4. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Plan 2018-2022 Plan (the Plan). The Plan was updated in 2019/20 and is available on the Council's website.
- 3.5. The Plan articulates the strategic direction for the Council with a clear set of corporate priorities. These priorities have been informed by extensive consultation with Cabinet Members and Members from opposition groups, citizens and partners, surveys and consultations.
- 3.6. A set of service delivery measures, aligned to service plans and Council priorities have been put in place for 2019/20. These measures are designed to ensure

improvement in service quality and outcomes for the citizens of Birmingham, some have a particular focus on disadvantaged groups. Regular monitoring and reporting against these measures ensures that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

- 3.7. In turn, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed.
- 3.8. The Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is a key part of the Council's long term financial strategy.
- 3.9. The Council continues to face significant funding reductions and challenges in achieving its budget plans, outlined in the Financial Plan 2020 – 2024.
- 3.10. A robust system to monitor the achievement of savings proposals and delivery of the base budget with scrutiny by Council Leadership Team (CLT), Budget Board and Cabinet is in place and actions were regularly undertaken throughout the financial year to control spend. During 2019/20, the Council has continued to overhaul and strengthen its financial monitoring and control framework and reasserted 'grip' of the financial position with a series of interventions. Where pressures were identified, Directors were required to find alternative solutions and actions to contain spending within cash limits where possible. The Council also held a Budget Delivery Contingency of £12m for 2019/20 to assist if there were any base budget or savings deliverability issues.
- 3.11. **The impact of Covid-19 has had a significant impact across local authorities. The Council has from early on been assessing the financial impact. The financial impact is based on a six-month crisis scenario with some ongoing costs (not factoring in a recovery or a new normal as yet) and is broken down into the following elements:**
  - **Actual and expected expenditure**
  - **Forecast of actual and likely lost income (including economic impact)**
  - **Further areas of financial risk**
  - **Cashflow monitoring**
- 3.12. Following the financial experiences over the last three years, highlighted by both the Birmingham Independent Improvement Panel (BIIP) and through Statutory Recommendations under Section 24 of the Local Audit and Accountability Act 2014, made by the external auditors in July 2018 and in March 2019, the extent of savings delivery risk is clearly recognised along with the potential impacts of unidentified pressures and other changes as the Council looks forward. In response, the Council has improved its controls to ensure that there are robust financial arrangements in place, recognising that it cannot continue to use reserves to balance the budget in the way that it has in the past. Nevertheless, it will continue to hold an element of its reserves as contingency funding in case of savings delivery difficulties. The Council set its 2019/20 and 2020/21 budgets without expecting to use any general reserves to mitigate the requirement to deliver savings; all uses of reserves were in line with the Council's reserves policy.

- 3.13. The Council also undertook a significant exercise across December 2019 and early January 2020 to identify anticipated savings non-delivery and base budget pressures in 2020/21 and beyond. Following challenge through the Star Chamber process, these were eliminated from the budget so that Directorates could begin 2020/21 with rebased budgets that should not have any underlying pressures. In order to fund this the Council no longer holds a Budget Delivery Contingency and Corporate Directors / Assistant Directors will be required to sign budget accountability agreements to confirm that they will operate within their budget envelope.
- 3.14. The Council's workforce has experienced many changes and challenges over the last 10 years as the workforce is modernised. From transforming the customer service function and developing a Citizen Access Strategy to facing some of the challenges driven by being a large employer such as equal pay cases and reviews of terms and conditions. The Council's workforce strategy was agreed by Cabinet in 2018.
- 3.15. The Council's planning framework is set in the context of the wider city leadership and governance, such as the West Midlands Combined Authority's (WMCA) Strategic Economic Plan (developed by the local enterprise partnerships in conjunction with the WMCA) and the Birmingham and Solihull Sustainability and Transformation Plan (to deliver better health and care for local people).
- 3.16. The Council has a strong public, third sector, and business engagement role. A new Community Cohesion Strategy has been launched and there is an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.17. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and where applicable, jointly and in consultation with the West Midlands Combined Authority (WMCA). As Accountable Body and partner to the LEP, the council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and international partners to deliver an economic strategy for the city and region. LEP projects are delivered within the LEP Assurance Framework, approved by the Council's governance processes as Accountable Body, managed and monitored through Programme Delivery Board and thematic "Pillar Boards", with regular reporting to the LEP Board. . From 1 September 2019 the LEP transferred its revenue operations and full executive team to GBSLEP Limited. BCC remains the accountable body for all capital funds and retains its place on the LEP Board in respect to its s151 role over public funds.
- 3.18. Change across local government continues. A Mayor was elected on 6 May 2017 to head the WMCA. The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield
- 3.19. The Cabinet Committee - Group Company Governance works to improve the level of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest or a relationship through nominees.
- 3.20. In May 2016, the Council announced its intention to move towards a Children's Trust. The Council is sole member of the Trust and works in close partnership to continue to improve outcomes for disadvantaged children and young people in the City. In April

2018, the Children's Trust became operationally independent of the Council as part of an ongoing process of improvement.

- 3.21. The Council's Constitution which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on the Council's website. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.22. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2019/20 financial year: the Leader, Deputy Leader and eight other Cabinet Members with the following portfolios:
- Cabinet Member – Children's Wellbeing;
  - Cabinet Member – Street Scene and Parks
  - Cabinet Member – Health and Social Care;
  - Cabinet Member – Homes and Neighbourhoods;
  - Cabinet Member – Finance and Resources;
  - Cabinet Member – Social Inclusion, Community Safety and Equalities;
  - Cabinet Member – Transportation and Environment;
  - Cabinet Member – Education, Skills and Culture.
- 3.23. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.
- 3.24. The CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.
- 3.25. CBMC oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBMC submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.
- 3.26. CBMC also discharges the Council's functions in relation to parishes and parish councils.
- 3.27. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts and to review and make recommendations to the executive regarding the effectiveness of internal audit on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

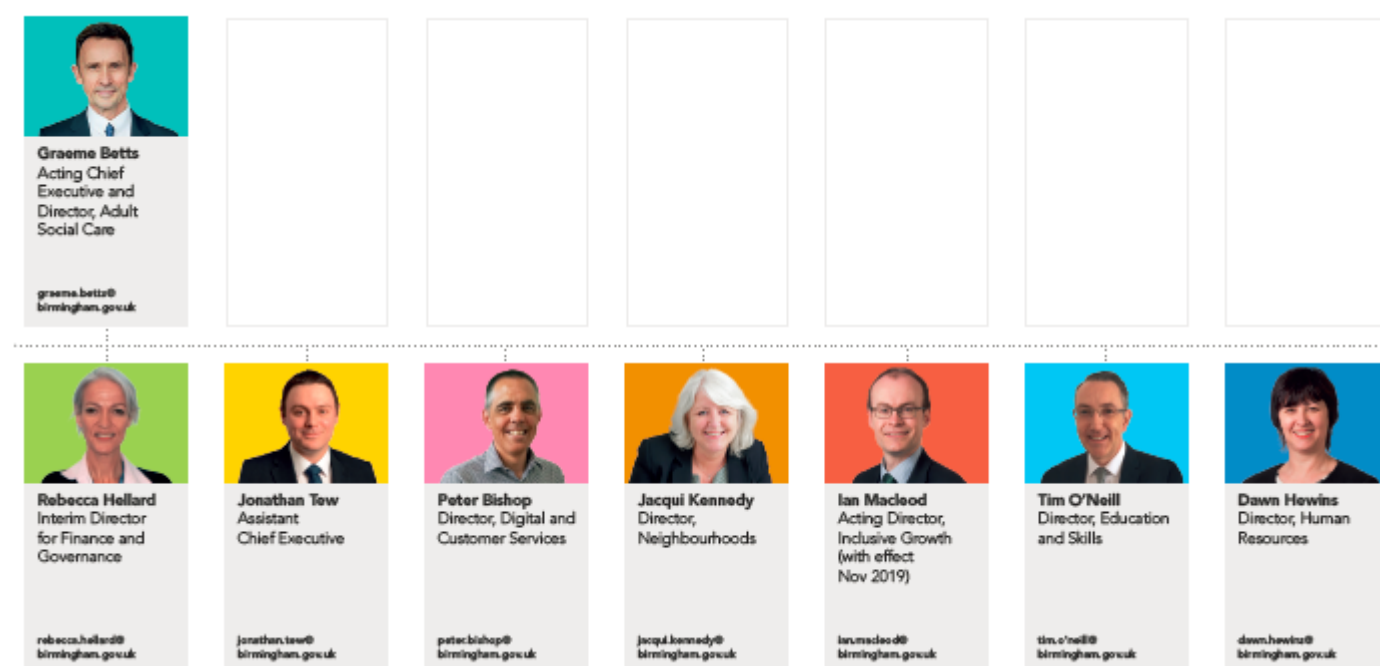
#### Roles, Values and Standards of Conduct and Behaviour of Members and Officers



- 3.28. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.29. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.
- 3.30. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

### Management Structure

- 3.31. During 2019/20, the Council operated through eight Directorates, Adult Social Care and Health, Education and Skills, Inclusive Growth, Finance and Governance, Neighbourhoods, Digital and Customer Services, Partnerships, Insight and Prevention, and Human Resources.
- 3.32. The Council's management structure as at 31 March 2020 was as per the diagram below:



- 3.33. In addition, during the year, the following key changes occurred
- Dawn Baxendale left the Council as Chief Executive wef 9 October 2019.
  - Clive Heaphy became Acting Chief Executive on 11 September 2019. Clive announced his intention to step down in March 2020
  - Chris Naylor became Interim Chief Executive wef 18 May 2020 following a period of Acting Chief Exec by Graeme Betts

- Rebecca Hellard took up the role of Interim Chief Finance Officer wef 2 October 2019.
- Neil Carney, Programme Director, Commonwealth Games, left the Council on 1 January 2020 and was replaced on an interim basis by Mina Parmar and by Craig Cooper .
- Waheed Nazir left the post of Director, Inclusive Growth on 1 December 2019. Ian MacLeod became Acting Director on 4 November 2019.
- Peter Bishop was appointed as Director, Digital and Customer Services from 1 July 2019.
- Jacqui Kennedy announced her early retirement on 3 June 2020.

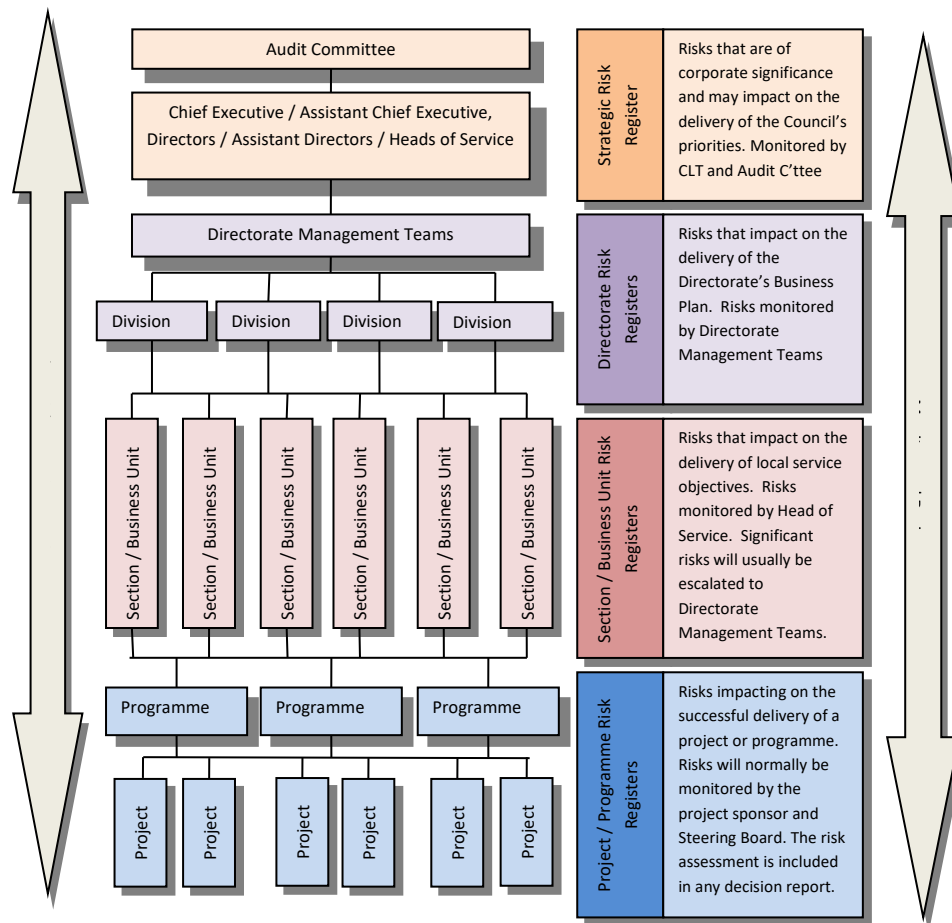
### Financial Management Arrangements

3.34. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:

- A key member of CMT, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy;
- Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

### Scrutiny, Accountability and Risk Management

- 3.35. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 3.36. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.
- 3.37. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet and Cabinet Members are required to include governance information relating to: Council policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 3.38. Risk management continues to be embedded within the Council. The schematic diagram below illustrates how risk was managed during 2019/20:



- 3.39. The Risk Management Framework is available on the Council's website, and advice and support are provided on request. Updated information regarding the management of the risks within the Council's Strategic Risk Register continues to be reported to the Audit Committee three times per year. CLT identifies new risks to the Council, and the draft Strategic Risk Register update is reported to it monthly. CLT challenge the updated information provided, and recommend re-wording or deletion of risks as appropriate. In addition business plans at directorate and divisional level include key risks.
- 3.40. The Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

#### Progressive Assurance Model

- 3.41. The Kerslake Review of the Council's governance arrangements took place in 2014. Following this review the Birmingham Independent Improvement Panel was set up in 2015 to provide external challenge and support to the Council to effect the improvements recommended in the Kerslake report. The Panel provided challenge and support to the Council for four years and stood down at the end of March 2019.
- 3.42. In March 2019 Cabinet considered the stock-take report of the Council's improvement journey and also endorsed an outline plan of improvement areas for 2019-20 whilst also agreeing to report, voluntarily, to the Secretary of State in autumn 2019 and spring 2020.

- 3.43. Cabinet endorsed the adoption of an innovative new model of “progressive assurance.” This model entailed the formation of a quarterly Strategic Programme Board and the engagement of specialist Non-Executive Advisors (aligned to specific risk and professional areas of focus) to support the Council Management Team for twelve months from July 2019 to July 2020. It builds on analysis of assurance and improvement models across a range of different sectors and seeks to embed an innovative and novel model with wider applicability and learning for Local Government.
- 3.44. Membership of the SPB includes all members of the Council Management Team, external advisors (Non-Executive Advisors) in the priority areas and an external advisor of a peer local government Chief Executive.
- 3.45. The Non-Executive Advisors, in addition to sitting on the SPB, will also offer challenge and support outside the board meetings.
- 3.46. The model will be supported by the Council’s Programme Management Office in support of lead Directors, with programme documentation and draft reports to the Secretary of State reviewed and endorsed by the SPB prior to submission.

#### External Audit

- 3.47. In March 2019 the external auditor considered it appropriate to issue further Section 24 recommendations in relation to Governance and the Waste Service and to Financial Management. The Council responded to the recommendations at a meeting of Full Council on 2<sup>nd</sup> April 2019.
- 3.48. In September 2019, the external auditor issued the Audit Findings Report (AFR) on conclusion of the audit of the 2018/19 financial statements. The AFR included no Statutory 24 recommendations and reduced the number of recommendations on value for money from six to one in respect of the governance of waste, with the conclusion that the issues on other areas had been sufficiently mitigated.

#### Member Development

- 3.49. The Member’s Development Strategy 2018-2022 aims to provide a member development programme that will ensure all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21<sup>st</sup> Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership; working together with officers in the transformation and delivery of Council services.

Councillors are at the heart of the Council and the organisation as a whole will support the member development strategy. It will be overseen by CLT and the Member Development Steering Group; coordinated through the Members Development Team, consisting of officers from Legal and Governance. This collaborative approach will ensure ownership of the strategy by the Council as a whole.

- 3.50. In addition to the Members’ Development Programme, all Councillors have access to e-learning through the Members’ portal on People Solutions and are regularly kept up to date on training and development via the City Councillor bulletin circulated by email. This gives details of legislation, training opportunities and other issues of importance to Members.

- 3.51. Regular monthly "market places" and briefing sessions are held to keep Councillors updated on Council services or services provided by partner organisations.
- The Members' Development Programme 2019/20 was delivered around: Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out role on regulatory and scrutiny committees;
  - On-going Member Development, to provide on-going development opportunities for members related to current and potential future roles and responsibilities.

### Workforce

- 3.52. Having a flexible, skilled and mobile workforce is critical to the Council effectively responding to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. Financial reductions facing the Council are impacting significantly on its ability to recruit and retain the talent needed to ensure workforce capacity.
- 3.53. During 2019/20, the 'My Appraisal' review process continued, enabling a consistent means of assessing and rewarding performance. 'My Appraisal' is specifically designed to ensure that employees are supported to implement the Council's core values:
- We put citizens first
  - We are true to our word
  - We act courageously
  - We achieve excellence

### Engagement with the community and other stakeholders

- 3.54. The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Plan and Budget 2019 to 2023 consultation process included public meetings led by the Council's Leader and Cabinet, an online Be Heard survey, an online communications campaign including webpages, news feeds, Facebook and Twitter, consultation via post and email, and consultation with the business community and the Chamber of Commerce.
- 3.55. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.
- 3.56. Clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible and many formal meetings are also webcast. Directorates have extensive programmes of consultation and engagement activity for specific services.

## 4 Review of effectiveness

- 4.1. 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 CMT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the *'Delivering Good Governance in Local Government: Framework'* (2016 CIPFA/Solace) and continues to learn from experiences and makes necessary changes to improve its local code of governance.
- 4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. The process requires each Directorate and significant areas of service delivery / business units within a Directorate to produce an Assurance Statement highlighting significant governance issues, and details of what action(s) are being taken to mitigate any risks.
- 4.4. The Council's review of the effectiveness of the system of internal control is informed by:
- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
  - The work undertaken by Birmingham Audit during the year;
  - The work undertaken by the external auditor reported in their annual audit letter and statutory recommendations; and
  - Other work undertaken by independent inspection bodies.
- 4.5. **Business as usual activities were disrupted by the need for social distancing and self-isolation. The Council operated a cell structure led by Strategic Cell (Gold Command) and supported by Tactical Cell. The Council's website was updated with information around access to its services as the pandemic emergency was escalated.**

**New areas of activity as part of the national response to coronavirus included food deliveries to shielded residents, distribution of small business grants and the Retail, Hospitality and Leisure Fund, vouchers for families in receipt of free school meals and distribution of personal protective equipment to care settings.**

**The funding and logistical consequences of delivering the local government response have been closely monitored. Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic is an on-going process.**

- 4.6. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.
- 4.7. As in previous years the Birmingham Audit plan was compiled on the basis of professional judgement and a risk model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work.
- 4.8. The resulting work plan is discussed and agreed with the Directors and Audit Committee and shared with the Council's external auditor. Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the Council and the Service Area. These are submitted to Members, Corporate Directors and service managers as appropriate.
- 4.9. From the work undertaken by Birmingham Audit during 2019/20 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *"Based on the audit work undertaken I am able to provide a reasonable assurance for the core systems of internal controls evaluated. As in any large organisation, our work did identify some significant issues that required action.* In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts. As in any large organisation, Internal Audit did identify some significant issues that required action. All significant issues were reported to the appropriate Director during the year.
- 4.10. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CLT. The more significant of these are set out in the section entitled '**Significant governance issues 2019/20**' below.
- 4.11. The internal audit function is monitored and reviewed regularly by Audit Committee. The Committee reviews management progress in implementing recommendations made in significant, high risk audit reports and against issues raised in the AGS through the Corporate Risk Register.
- 4.12. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2019/20 including the launch of the Birmingham Safeguarding Children's Partnership, the impact of Brexit on the City and the Commonwealth Games.
- 4.13. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CLT, the Deputy Leader and Cabinet. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.14. The Monitoring Officer advises that there were 73 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2019/20 financial year.

## 5 **Review of 2018/19 governance issues**

- 5.1. The significant 2018/19 governance issues were considered by Audit Committee in June 2019, agreed as part of the Statement of Accounts in July 2019 and reviewed as part of the Corporate Risk Register updates in the 2019/20 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud, Contract Monitoring (Early Years) and the Local Government Ombudsman Annual Review.
- 5.2. Schools, Children and Families O&S Scrutiny Committee received reports on the Annual review of the Children's Trust This O&S Committee also considered issues such as Safeguarding in Education and Travel Assist.
- 5.3. Housing and Neighbourhoods O&S Committee reviewed progress of the Homelessness Prevention Strategy and the Commonwealth Games Village.
- 5.4. Regular Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.
- 5.5. The Council worked closely with the non-Executive Advisors.

## 6 **Significant governance issues 2019/20**

- 6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Strategic Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	<p><b>Covid-19 Pandemic</b></p> <p>The Council declared a major emergency and the emergency plan was put into full effect.</p> <p>As of w/c 23 March, the council was operating under its Emergency Plan, with decisions being made on a 'command and control' basis.</p> <p>The pandemic poses unprecedented public health and operational challenges across many council services.</p>	<p>Strategic Cell (Gold Command) is supported by Tactical Cell and a number of thematic cells to manage the Council's emergency response.</p> <p>New legislation enabled democratic decision-making to resume remotely, with meetings web cast on a priority basis.</p> <p>City Council received a 68 page report detailing the initial response across services and scenario planning for recovery.</p>



Issue No	Governance Issue	Mitigation Action / Proposed Action
2	<p><b>Financial Resilience</b></p> <p>The Council faces continued pressure in its use of resources. This poses challenges to the financial resilience of the Council.</p> <p>Financial resilience continues to be a focus for the external auditors, with continued demands to evidence 'Going Concern'.</p> <p>The impact of Covid-19 on our financial resilience is also of concern</p> <p>Given the Council is in the tenth year of budget constraints the possibility of Judicial Review challenge to the budget or elements of it, remains high.</p>	<p>Proactive actions are in place to plan and monitor the delivery of the savings programme including the delivery of workforce savings. These include further assurances on the deliverability and impacts of proposals and a commitment from Cabinet to future budgeting.</p> <p>Governance processes have been reviewed and significantly enhanced to improve the production of implementation plans and monitoring of the most significant savings proposals at the highest level. We have now introduced monthly exception reporting to focus on significant pressures, key risks and emerging issues and to drive actions around these. This will enhance Star Chamber discussions with portfolio holders and improve overall scrutiny of financial issues.</p> <p>PWC has been commissioned to conduct an early review of the capital programme and improve the robustness of major projects financial governance.</p> <p>The Council is engaged in ongoing discussions with the government around further funding support and additional freedoms and flexibilities that the government could provide to support the rectification of the budget gap caused by Covid-19.</p>
3	<p><b>Major Projects and Partnership Working</b></p> <p>The Council is involved in a range of major projects which include partnership working arrangements and sometimes complex legal agreements for example:</p> <ul style="list-style-type: none"> <li>• Working with neighbouring authorities in the West Midlands Combined Authority</li> <li>• Strengthening partnership working as Birmingham works</li> </ul>	<p>The partnership with neighbouring authorities through the West Midlands Combined Authority continues to develop. The next stages are vital as devolution is implemented, making sure that work leads to permanent benefits for the region.</p> <p>The Council is reviewing the way it works with its partners - working equally to a common shared purpose.</p>

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	<p>towards hosting the Commonwealth Games 2022.</p> <ul style="list-style-type: none"> <li>• Working with private sector partners on major developments in the City such as Paradise and Smithfield.</li> <li>• Birmingham Children's Trust.</li> <li>• Sustainability Transformation Programme</li> </ul>	<p>Children's Services moved to a Trust arrangement from April 2018. A clearly defined relationship between the Trust and the Council has been established based on service contracts. The contracts will be monitored throughout the year.</p> <p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases and shadow working arrangements.</p>
4	<p><b>Homelessness and Safety Implications for Tower Blocks</b></p> <p>The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service.</p> <p>Impact of Grenfell Tower and subsequent implications for improving safety in tower blocks.</p>	<p>We have refurbished and opened two buildings for the use of temporary accommodation. Reduced B&amp;B from a peak of 690 in May 2018 to 419 in December 2019.</p> <p>Work is underway with the repairs contractors to meet a new temporary accommodation specification to deliver 380 units.</p> <p>A Fire Safety Steering Group has been set up to lead on and coordinate BCC's response to the building a Safer Future report and the Grenfell Tower Inquiry Phase 1 Report. The project plan continues to be delivered through the fire safety steering group</p> <p>Housing Management are leading on the strategy for engagement with tenants and developing a wider engagement strategy, picking up on the Dame Judith Hackitt recommendations in this regard.</p>
5	<p><b>Asset Condition and Sufficiency</b></p> <p>Many operational assets are in very poor condition following years of budget restrictions and lack of investment.</p>	<p>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p>

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	<p>There is an aging schools estate with some assets that are beyond repair.</p> <p>The demand for secondary school places is beginning a period of sustained growth, requiring a large number of additional places to meet our statutory duty for sufficiency.</p>	<p>Capital funding to meet basic need requirements is being effectively managed through our strategy to make best use of existing space</p>
6	<p><b>Commonwealth Games</b></p> <p>Hosting the Commonwealth Games in 2022 brings with it significant delivery expectations (in terms of capital project management and delivery of legacy benefits) for the Council as well as significant financial commitments.</p>	<p>The Council is alive to the delivery, financial and reputational risks associated with the Games and has active risk management and programme management arrangements in place to ensure prompt and timely resolution of issues. The Council is working closely with strategic and regional partners.</p>
7	<p><b>Commissioning and Contract Management</b></p> <p>Intelligent Client Functions are not robust enough, leading to a number of contracts underperforming or developing risks to service provision.</p>	<p>Early identification of issues or problems, ensuring the contracts and output specifications are delivered to required standards and deliver continuous improvement – tailored to each contract as necessary.</p> <p>On-going identification of mitigating actions to reduce the level of risk.</p>
8	<p>Birmingham SEND Inspection – Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspection of Birmingham SEND provision raised significant concerns requiring the CCG and Council to provide a joint response in the form of a Written Statement of Action.</p> <p>This, in conjunction with the implementation of the SEND two-year</p>	<p>Monthly board meetings for inclusion take place with the CCG. Trust and the education and skills directorate, alongside quarterly review meetings with the DfE is closely monitoring progress and ensuring the authority is on track to make the expected progress and deliver the important improvement agenda.</p>

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	improvement programme is making the necessary and important improvements for the current local offer for children and young people addressing the issues raised in the OFSTED and CQC inspection.	

- 6.2. These matters are monitored through the Strategic Risk Register, CLT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.
- 6.3. We propose over the coming year to take steps to address the above matters 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 Ian Ward  
Leader of the Council

Signed .....  
Chris Naylor  
Acting Chief Executive