

## **BIRMINGHAM CITY COUNCIL**

### **PUBLIC REPORT**

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Director of Council Management</b>
<b>Date of Meeting:</b>	<b>28 September 2022</b>
<b>Subject:</b>	<b>2021/22 ANNUAL GOVERNANCE STATEMENT</b>
<b>Wards Affected: All</b>	
<b>1. Purpose of Report</b>	
<p>1.1. The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2021/22 and reports on the Council's internal control regime.</p> <p>1.2. Section 6 of the AGS includes 7 key issues for the Council which may impact on the organisation's governance arrangements.</p>	
<b>2. Recommendations</b>	
<p>2.1. To approve the Annual Governance Statement that will be included in the 2021/22 Statement of Accounts.</p> <p>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.</p>	

### **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.
- 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)(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 AGS. The AGS also meets the corporate governance best practice recommendations.
- 4.2 The Accounts and Audit (Amendment) Regulations 2022 came into force on 22 July 2022. The regulations amend the 2021/22 Statement of Accounts publication dates to no later than 31 July 2022 for the draft accounts, as public inspection must commence no later than 1 August 2022 and no later than 30 November 2022 for the audited accounts.
- 4.3 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's vision, priorities and objectives.

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Annual Governance Statement 2021/22

## **Annual Governance Statement 2021/22**

### **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. This governance statement provides assurance over the governance arrangements that have been in place for 2021/22 and also identifies significant changes to those governance arrangements that were put in place as a result of the Covid 19 pandemic.

### **2 The Purpose of the Governance Framework**

- 2.1. The Council is accountable to its communities for the money it spends. It is required under law to ensure it provides value for money and to achieve this it has a governance framework which supports a culture of transparent decision making.
- 2.2. For a governance framework to work, arrangements should be in place to ensure that the Council can achieve its strategically agreed objectives and remain financial sustainable as these two elements are interdependent.
- 2.3. The Council is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.
- 2.4. 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.
- 2.5. 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.

- 2.6. 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.
- 2.7. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the Covid 19 pandemic.

### 3 **The Governance Framework**

- 3.1. The governance framework comprises of 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. The Council has adopted a Corporate Assurance Framework and this Annual Governance Statement provides supplementary information by identifying the Council's vision, strategies and plans, both internally and working with partners: the culture and framework within which councillors and officers operate; financial management and compliance with the CIPFA Financial Management Code 2019 and outlines the challenge process by Scrutiny and Audit Committee.

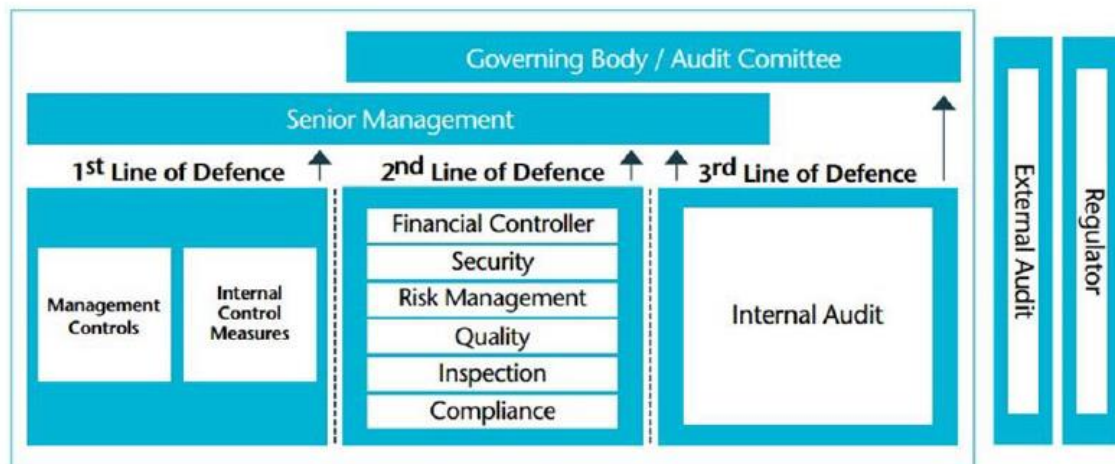
#### The Council's vision and priorities for Birmingham

- 3.2. During the 2021/22 financial year, the Council's vision for Birmingham was to create 'a city of growth where every child, citizen and place matters', with a set of outcomes and priorities to underpin this vision. The Council's aim was to transform and modernise services in response to changing demand from a growing population and to support this, the Council focused resources on six priorities:
- **An entrepreneurial city to learn, work and invest in.**
  - **An aspirational city to grow up in**
  - **A fulfilling city to age well in**
  - **A great city to live in.**
  - **A city whose residents gain the maximum benefit from hosting the 2022 Commonwealth Games.**
  - **A city that takes a leading role in tackling climate change.**
- 3.3. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Delivery Plan 2020-2022 (the Plan). The Plan is available on the Council's website.

- 3.4. The Plan identifies three longer term goals which are fundamental to tackling the critical challenges facing the city whilst managing demand on Council services to a more affordable level. These continue to guide the transformation of the Council and will develop beyond 2022. The three areas are:
- **Shifting focus from crisis to prevention**
  - **Increasing the pace and scale of growth, for those that need it most, while delivering the Council's climate change objectives and**
  - **Delivering new ways of working**
- 3.5. Following the Council's all out elections in May 2022, the Council developed a new Corporate Plan 2022 – 2026. This Plan updates the Council's priorities in the light of the Covid 19 recovery, tackling inequalities and the 'levelling up' of the city. It will guide the Council's work for the next four years, providing the context for more detailed delivery strategies and plans which address the most important challenges facing the city.
- 3.6. Many of the Council's existing priorities were introduced as long term goals and remain relevant as the Council develops new proposals to build a city which is:
- **A Bold Prosperous Birmingham:** through continued economic growth, tackling unemployment, attracting inward investment and infrastructure and maximising the benefits of the commonwealth games.
  - **A Bold Inclusive Birmingham:** through empowered citizens, looking after vulnerable children, supporting young people to fulfil potential and promoting diversity, civic pride and culture.
  - **A Bold Safe Birmingham:** through tackling antisocial behaviour and hate crime, housing provision and addressing homelessness and improving living environments.
  - **A Bold Healthy Birmingham:** through tackling health inequalities, encouraging and enabling physical activity and healthy living, quality of care and helping to support mental health
  - **A Bold Green Birmingham:** by improving the cleanliness of our city and streets, improving the environment and air quality, carbon reduction and being a city of nature.
- 3.7. A new Council Delivery Plan will set out key delivery activity, milestones and key performance indicators that help monitor and demonstrate delivery against the new Corporate Plan priorities. Corporate priorities are supported by more detailed Directorate Business Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.
- 3.8. Regular monitoring and reporting through a robust governance structure against these measures ensure that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.9. A Corporate Assurance Framework was reported to Audit Committee on 29 November 2021. The framework has been developed to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to

manage risks and as a result support in the achievement of organisational strategic objectives

- 3.10. The Assurance Framework adopts the Three Lines of Defence Model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. The Three Lines of Defence model is illustrated below:



#### The Impact of the Covid 19 Pandemic on Governance

- 3.11. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Based within the framework of the Council's vision and priorities the 12 points were:
- To preserve life and protect vulnerable groups and maintain the viability of the city is our fundamental purpose during the coming days, weeks and months.
  - Ensure the response is scalable, proportionate and flexible, working closely with our NHS, education, business and community providers.
  - Contribute to effective containment measures as appropriate to limit the spread of infection, and work with citizens and communities to help them to take the appropriate actions.
  - Ensure continued delivery of the council's critical services, focusing most on those services which support and protect the most vulnerable in society.
  - Maintain council services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.
  - Engage with and support NHS and Public Health response systems/campaigns including media and communications, working across all the networks of the city to ensure information reaches all our communities.
  - Provision and sharing of advice; warning and information internally and to public and local businesses to support the immediate and long-term resilience of the city.



- Maintain good working relationships with partners to ensure supply chain continuity, especially for those resources that underpin the safety and security of Birmingham and its citizens.
  - Ensure that all roles and areas of responsibility are predetermined and formally agreed so there is clarity internally and with partners during these uncertain times.
  - Monitor the impact of the outbreak on the community and our services to respond in a timely manner and plan recovery to ensure that Birmingham remains looking forward.
  - Work with partners across our voluntary, community and faith communities to mobilise the spirit of Birmingham to respond to the challenges facing us.
  - Work across political parties to collaborate in the best interests of the city; we recognise that the challenges ahead require us all to work together to support citizens and the city to weather the coming challenges and emerge as a city moving forward.
- 3.12. The 12 point plan was followed until the Council deactivated its Covid 19 governance arrangements.
- 3.13. The Covid 19 pandemic meant that the Council made significant changes to governance arrangements upon activating its Emergency Plan from 18 March 2020 to 2 August 2021. As a result, emergency Covid 19 decisions were made in accordance with the Emergency Plan and therefore, in line with the Council's Constitution, normal reporting and decision-making rules changed and did not apply.
- 3.14. The Council's Emergency Plan and the Constitution adopted the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensured a joined-up approach to emergencies at various scales and provided officers with wide delegations to make decisions at pace, as the Council responded to the developing situation. The Council was dealing with the need to continually respond to the crisis as it developed, and although there was an intention to publish key decisions taken during the emergency response, it was not reasonably practicable to publish all decisions taken at the time. Subsequently, the Council published a log of the decisions taken during the emergency response.

#### Governance Arrangements in the Wider Context

- 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 authorities, local enterprise partnerships and universities in conjunction with the WMCA) and the Birmingham and Solihull Inception Framework (to deliver a simplified way of working between health and care organisations for better health and care for local people).
- 3.16. The Mayor heads 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.

- 3.17. The Council is a key member of statutory and non-statutory partnerships. The overarching non-statutory City Partnership consists of key stakeholders and partners across the public, business, educational, voluntary and community sectors. It has established a collective purpose, mission and vision for itself with a set of six goals that align with the Council's Levelling Up Strategy and is now developing a work programme to engage partners in shaping and enacting insight-led collective approaches to the opportunities and challenges facing Birmingham. The Council utilises existing and established routes to community engagement that look to promote involvement of communities of interest, stakeholders and the wider public across the city.
- 3.18. The Council has an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.19. The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) operates a full executive team within a separate company, GBSLEP Limited. The Council remains the accountable body for capital funds and some revenue funding awards and retains its place on the LEP Board in respect to its s151 role over public funds. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the GBSLEP and where applicable, jointly and in consultation with the WMCA. As Accountable Body and partner to the GBSLEP, the Council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and national partners to deliver an economic strategy for the city and region. GBSLEP projects are delivered within the GBSLEP 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.
- 3.20. In February 2022, the Government published its Levelling Up White Paper which has far-reaching implications for the future structure of LEPs across the country. Within the paper the direction for the GBSLEP is set out as integration with the WMCA. The Council is working with GBSLEP and WMCA to shape and support these changes
- 3.21. The Cabinet Committee - Group Company Governance's role is to ensure that the Council's strategic objectives are met across the group of companies which either the Council owns or has an interest in, and to support the development of the group in line with the Council's regulations and ambitions. The Committee works to improve the level of Council oversight of the activities of those companies and to ensure that sound governance arrangements are in place to support council interests, appointments and nominees. The Committee will meet with companies, review performance, business plans and strategies and ensure that the relationship continues to contribute to council priorities.

#### Financial Management Arrangements

- 3.22. The Council continues to face financial challenges. The ongoing financial impact of Covid 19 after a decade of austerity, inflationary pressures and increased demand for the Council's services pose a threat to the financial sustainability of both Birmingham as a city and the Council.
- 3.23. 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.

- 3.24. The Council set a Financial Plan for 2021-2025 that was driven by the 2020-2022 Delivery Plan, supporting effective allocation and prioritisation of resources to critical work and projects over a longer period. The introduction of the rolling budget process, a key part of the Council's financial management improvements, saw the planning assumptions in the 2021 Medium Term Financial Plan, refreshed twice in the year, reported to Cabinet and Overview and Scrutiny Committee in July and October.
- 3.25. 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 Corporate Leadership Team (CLT), 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.
- 3.26. 2021/22 represents the first year of formal adoption by the Council of the CIPFA Financial Management Code 2019 (FM Code). The FM Code provides guidance for good practice in financial management and helps local authorities demonstrate financial sustainability. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and members of CLT.

### The Executive Structure

- 3.27. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2021/22 financial year:
- The Leader with responsibilities for strategic policies; structure and governance of the Council; Lord Mayor's Office; communications; financial strategy; Council wide efficiency and improvement; policy and partnerships; WMCA; major projects; promotion of the City and inward investment; Commonwealth Games, sports and events development; Council land use and property assets including appropriation; economic growth and jobs; business improvement districts; land use planning; housing development; enforcement
  - Deputy Leader with responsibilities for business change; efficiency and improvement for the Council; oversight of good governance in relation to Council representation on outside bodies; risk management; revenues and benefits service; customer services; external scrutiny and local government

ombudsman; open data and information systems; whistleblowing and corporate complaints procedure; emergency planning; impact and Implications of Brexit; to lead on information law and data protection matters; to challenge any lack of transparency in all work carried out by the Council; ICT and legal.

Eight other Cabinet Members have the following portfolios:

- Cabinet Member – Vulnerable Children and Families
- 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.

- 3.28. 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. The Council has authorised Council Business Management Committee (CBMC) to take all necessary steps, through the year, to amend, add, substitute or delete any of the Council's non-Executive Constitutional amendments and refer all changes to Full Council for approval.
- 3.29. 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.
- 3.30. 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.
- 3.31. 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.
- 3.32. CBMC also discharges the Council's functions in relation to parishes and parish councils, considers terms and conditions of employment and any recommendations from Audit Committee relating to the discharge of the Council's duty under the Accounts and Audit Regulations 2015.

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

- 3.33. Identifying the culture within which the Executive (Cabinet), councillors and officers operate is one of the principles of good governance.
- 3.34. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.

- 3.35. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Chief Officers/Directors.
- 3.36. 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.

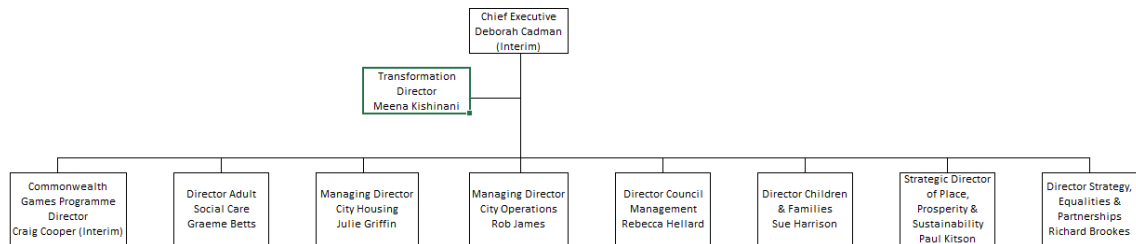
#### Member Development

- 3.37. The Members' Development Strategy 2018-2022 aims to provide a member development programme that ensures all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21st Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership and work together with officers in the transformation and delivery of Council services.
- 3.38. Councillors are at the heart of the Council and the organisation supports the member development strategy. It is 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 ensures ownership of the strategy by the Council as a whole.
- 3.39. In addition to the Members' Development Programme, all Councillors have access to e-learning through the City Council iLearn portal 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.
- 3.40. During the Covid 19 pandemic and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2021/22 has been to continue to provide briefing/training sessions through Microsoft Teams. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Information has been provided for both internal and Local Government Association training opportunities for:
- Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out their 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.

#### Management Structure

- 3.41. During 2021/22, the Council operated through seven Directorates, Adult Social Care, Children & Families, Council Management, City Housing, City Operations, Place, Prosperity and Sustainability, and Strategy, Equalities and Partnerships.

3.42. The Council's management structure on 31 March 2022 was as per the diagram below:



3.43. The following key changes occurred:

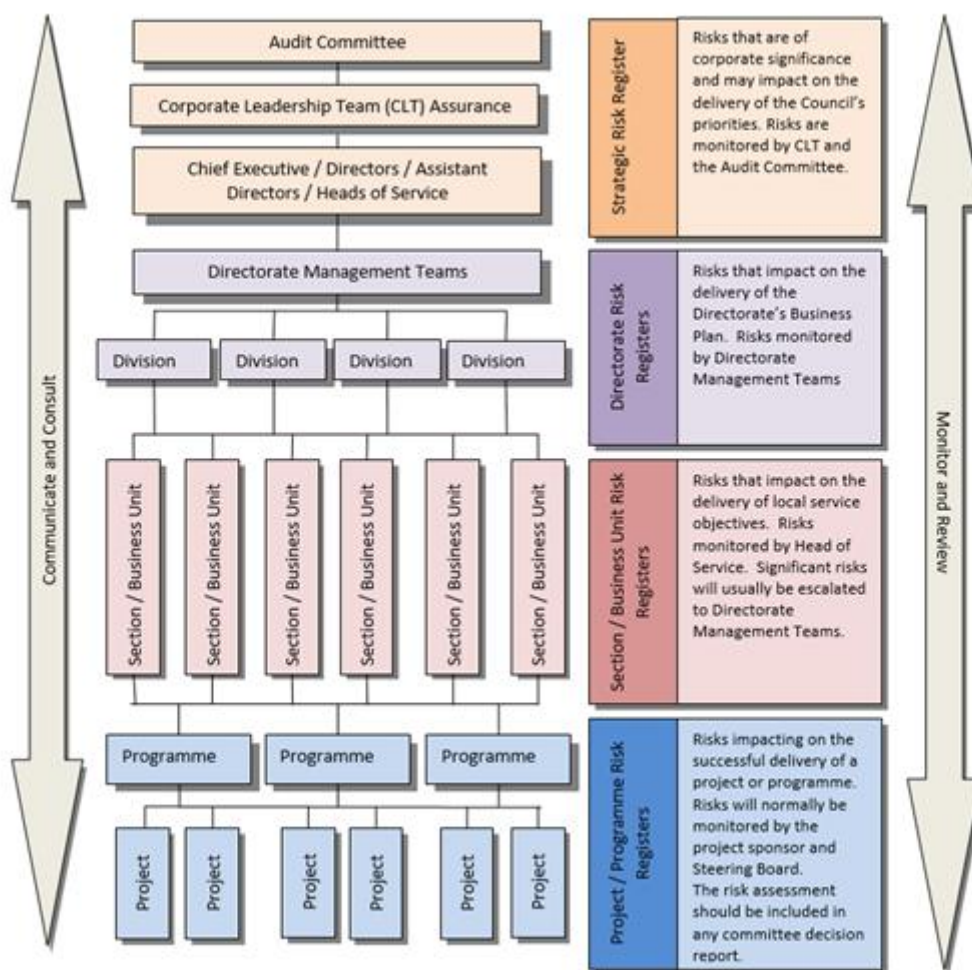
- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021 and on 6 July 2022 her permanent appointment was announced.
- Graeme Betts took up the role of Acting Chief Executive prior to Deborah Cadman's appointment with Louise Collett taking up the role of Acting Director of Adult Social Care during this time.
- Sue Harrison, Director Children and Families joined the Council in October 2021. Prior to this, the post was filled on an interim basis.
- Jonathan Tew, Assistant Chief Executive left the Council on 31 August 2021.
- Rebecca Hellard was appointed Director of Council Management on a permanent basis from 1<sup>st</sup> November 2021.
- Paul Kitson was appointed Strategic Director of Place, Prosperity and Sustainability in January 2022
- Richard Brookes was appointed Director Strategy, Equalities and Partnerships in November 2021

### Workforce

- 3.44. The Council's workforce strategy 2018-2022 was agreed by Cabinet in 2018 and refreshed in February 2020. The Council's workforce vision is to have a workforce that reflects the lived experience of people and is representative of the communities it serves, to be an employer of choice, with a high performing, agile and diverse workforce, capable of delivering innovative services.
- 3.45. Having a flexible, skilled and mobile workforce is critical to the Council responding effectively to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. During the Covid 19 pandemic, the workforce adapted to working from home for all but essential front line services, and now the Council is reviewing new ways of working for the future.
- 3.46. During 2021/22, 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

### Scrutiny, Accountability and Risk Management

- 3.47. For good governance to function well, the Council must encourage and facilitate a high level of robust internal challenge, which both contributes to the financial stability of the Council and provides the right cultural approach.
- 3.48. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities, to provide independent assurance to the Council in relation to internal control, risk management and governance and help ensure robust arrangements are maintained. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit, responsibility for the approval of the Annual Accounts and to review and make recommendations to the Executive regarding the effectiveness of internal audit and the Council's arrangements for deterring, preventing, detecting and investigating fraud.
- 3.49. Following an independent assessment of the effectiveness of Audit Committee in 2019/20, committee members expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where appropriate, cabinet members. During the year, Audit Committee's ability to challenge was strengthened by the appointment of an independent advisor. Audit Committee has also received assurance reports from the Leader, Deputy Leader and Cabinet Members. An annual report is also presented to Full Council.
- 3.50. The Overview & Scrutiny Committees cover all Cabinet Member portfolios. All Executive (Cabinet) decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 3.51. 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.
- 3.52. 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 priorities, plans and strategies, risk management consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 3.53. The Council has a Risk Management Framework which sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.
- 3.54. The schematic diagram below illustrates how risk was managed during 2021/22:



3.55. The Council's Strategic Risk Register is reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT Assurance monthly, so that they can monitor and challenge progress against actions and identify any new risks to the Council. Additionally, the Strategic Risk Register is reported to the Audit Committee three times per year so that it can satisfy itself and gain assurance that the Risk Management Framework has been consistently applied and risks appropriately managed. Key operational risks are captured within business plans at directorate and divisional level and monitored by Directorate Management Teams.

3.56. CLT Assurance meet monthly to review assurance and governance issues. Directorate Management Teams also have in place forums to review assurance and issues are reported to CLT Assurance as required.

3.57. An independent assessment of the Total Impact of Internal Audit was undertaken independently by PWC LLP in 2020. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2022 to enhance its overall contribution to the Council. The Council has 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

- 3.58. The Council has been on an improvement journey adopting a model of “progressive assurance” during 2019/20. The model was regarded by, at the time, MHCLG and peers as a very significant step forward for the Council’s improvement agenda.
- 3.59. The ‘Investing in the Future’ Cabinet Report and Delivery Plan continues to guide the overall direction of the Council’s improvement journey. The Council is adopting a refreshed approach to improvement, accountability and performance with effectiveness monitored through regular reporting to Cabinet, Scrutiny and CLT Performance Group on the overall position of delivery plan indicators.

### External Audit

- 3.60. The external auditor has issued two Audit Findings Reports (AFR) on the audit of the 2020/21 financial statements based on work completed. The Interim AFRs were reported to Audit Committee on 19 October 2021 and 25 January 2022 with further external audit progress reports reported to Audit Committee on 29 November 2021 and 15 February 2022. The Draft Auditor’s Annual Report (AAR) included no Statutory 24 recommendations, made four key recommendations in respect of governance, improving economy, efficiency and effectiveness, in three separate areas:
- Two recommendations relating to issues with the Homes to School Transport Service
  - The arrangements in relation to required improvements in Special Educational Needs and Disability (SEND) services
  - IT Audit findings and planned changes to the Council’s general ledger

and eight improvement recommendations.

### Engagement with the community and other stakeholders

- 3.61. During the pandemic, the Council saw how effective a coordinated voluntary, community, faith and social enterprise response could be in supporting individuals and neighbourhoods cope with the challenges presented. The Council worked closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.
- 3.62. Resulting from the Covid 19 pandemic restrictions, the Council has adopted an on-line approach to consultation. The Council Financial Plan 2022 to 2026 was informed by the Brum Budget Challenge during December 2021, requesting citizens of Birmingham prioritise services within a limited budget via a digital tool, an on-line meeting led by the Council’s Leader with the business community and an on-line event hosted by Birmingham Updates attended by the Leader, Deputy Leader, Cabinet Member for Finance and Resources and the Director of Council Management.
- 3.63. The Council’s Scrutiny function 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.
- 3.64. Clear channels of communication are in place with service users, citizens and stakeholders although during the Covid 19 pandemic this was online. Now pandemic restrictions have eased, the Council holds meetings in public, with many formal

meetings 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 CLT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and 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. This includes developing a Corporate Assurance Framework to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to manage risks and as a result support in the achievement of organisational strategic objectives.
- 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. 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.
- 4.6. The Birmingham Audit plan was compiled based on 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.
- 4.7. The resulting work-plan was 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.

- 4.8. From the work undertaken by Birmingham Audit during 2021/22 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 and the wider assurance framework 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. All significant issues identified were reported to the appropriate Director during the year.”*
- 4.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Part of the national response to the Covid 19 pandemic included local authorities in the West Midlands area working collaboratively and the Council took the lead in the procurement of personal protective equipment for the region. Locally, the Council provided 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, provision of accommodation to the homeless and distribution of personal protective equipment to care settings.
- 4.10. The funding and logistical consequences of delivering the Council’s response during the pandemic was closely monitored as it created a severe challenge for the Council’s own finances, with increased spending requirements alongside a loss of income. The crisis highlighted the chronic and structural inequalities in the city and the continued level of poverty and vulnerability in some groups and communities.
- 4.11. On 16 March 2021, the Council published its Covid 19 Economic Recovery Strategy with emphasis on the need for a more resilient economy and stronger communities, acknowledging a thriving economy depends on spreading opportunity and making families and communities more resilient. The strategy focused on four overall priorities for the city’s recovery from Covid 19:
- Creating a more inclusive economy and tackling the inequalities and injustices highlighted by the crisis
  - Taking more radical action to achieve zero carbon emissions and a green and sustainable city
  - Strengthening our public services and creating new services to address needs
  - Building the strength and resilience of our communities based on the positive response to the crisis.
- 4.12. In response to central government’s levelling up strategy, in November 2021 the Council launched its own levelling up strategy ‘Prosperity and Opportunity for All’, a framework of five levelling up accelerators, for which the Council is seeking central government support. The strategy links to the Council’s existing plans including the Economic Recovery Strategy, City Plan, Delivery Plan 2020-22 and Community Cohesion Strategy.
- 4.13. The Council has undertaken a self-assessment against the FM Code standards with a view to a CIPFA peer review for additional assurance. It is the opinion of the Chief Finance Officer that the Council is financially resilient and delivers value for money. However, in striving for financial management excellence, the Council has developed a set of actions for improvement which include further budget holder training and support on the new Human Resources and Finance system, continuing the implementation of the Finance Target Operating Model and strengthening corporate processes and

documentation for project and investment appraisals. The planned improvements will contribute to the Council's longer term vision and financial improvement journey.

- 4.14. 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 2021/22**' below.
- 4.15. 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, progress made against issues raised by the external auditor in the Audit Findings Report and against issues raised in the AGS through the Corporate Risk Register.
- 4.16. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2021/22 including the recovery from Covid 19, the impact of Brexit on the City, the Commonwealth Games, Safeguarding Adults and Children, the Clean Air Zone and Clean Air Strategy.
- 4.17. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.18. The Monitoring Officer advises that there were 46 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2021/22 financial year, an increase of 1 in comparison to 2020/21.

## **5 Review of 2020/21 Governance Issues**

- 5.1. The significant 2020/21 governance issues were considered by Audit Committee in June 2020, agreed as part of the Draft Statement of Accounts in October 2021 and reviewed as part of the Corporate Risk Register updates in the 2021/22 financial year. In addition, Audit Committee received reports relating to Fraud, Treasury Risk Management Arrangements, Procurement Governance Arrangements, Audit Findings Report Updates, External Audit of the Accounts Updates and Cabinet Member Assurance Updates.
- 5.2. The recovery from the impact of the Covid 19 pandemic across services featured in Overview and Scrutiny schedules. Areas reviewed included Supporting the Economic Recovery from Covid 19 – Jobs and Skills supporting SMEs and Support to Businesses affected by Covid by the Economy and Skills Overview and Scrutiny Committee, Public Health updates, the Winter Vaccine Programme and an update on Re-opening Day Care Centres by the Health and Social Care Overview and Scrutiny Committee.
- 5.3. Education and Children's Social Care Overview and Scrutiny Committee received reports on the annual review of the Children's Trust, Birmingham Safeguarding Children's Partnership, Home to School Transport and particularly focused on Special Educational Needs and Disability (SEND).
- 5.4. Resources Overview and Scrutiny Committee received reports on the Commercial (Procurement) Governance Arrangements of the Task and Finish Group, a Commonwealth Games Funding Update, an Update to the Medium Term Financial Plan, updates on the implementation of the Council's new Finance and Human Resources System and New Ways of Working.
- 5.5. Housing and Neighbourhoods Overview and Scrutiny Committee received the annual report on Birmingham's Community Safety Partnership.

- 5.6. Cabinet received and considered interim refresh reports on the Medium Term Financial Strategy and reviewed quarterly reports on Performance and Progress against the Delivery Plan, Revenue Budget Monitoring and Capital Budget Monitoring. Cabinet also considered reports on the recovery from the Impact of the Covid 19 Pandemic, Fire Safety in High Rise Buildings, New Ways of Working and Homelessness.

## 6 Significant Governance Issues 2021/22

- 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>Commissioning and Contract Management</b></p> <p>Ongoing assurance including audit reviews, general compliance checks and Member scrutiny, highlighted the need to ensure Procurement Governance Arrangements were fit for purpose, complied with, decisions were appropriately timed and there was adherence to regulations and internal governance controls.</p> <p>Combined with this, current Public Sector Procurement Regulations are under review prompting a call from Overview and Scrutiny Committee to examine and review the commercial governance processes to ensure that they are robust, fit for purpose, complied with and deliver value for money for both taxpayers and the Council's communities.</p>	<p>In response to the Overview and Scrutiny recommendation, in September 2021, a Councillor led Task and Finish Group was set up to review the Council's commercial governance arrangements, namely the Procurement Governance Arrangements. The Task Group also considered information in relation to the Government's Green Paper.</p> <p>From the work, recommendations were made by Overview and Scrutiny Committee which is now seeing the current Council's Procurement Governance Arrangements being overhauled and updated. The updated Procurement Governance Arrangements will be presented to Full Council in July 2022 for consideration. Once adopted they will form part of the Council's Constitution around Contract Standing Orders and there will then be the necessary training, engagement and awareness of the new arrangements with an emphasis on ensuring compliance.</p>
2	<p><b>Companies</b></p> <p>The Council has a complex group company structure and is seeking 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.</p>	<p>A series of actions to improve and strengthen the Council's governance arrangements were agreed and reported at the Cabinet Committee - Group Company Governance (GCGC) informal meeting on 16 September 2021.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>Group company governance is a vital tenet of sound group financial management.</p> <p>Improvements to the process and operation as a “best in class” authority in this regard will contribute to the overall reduction of financial risk for the Council</p>	<p>The improvement plan remains active. Actions delivered include a full register of director training for officers and members where new appointments are contacted to attend and monitored for completion; a nominated officer to support member appointments and a review of company/group guidance for officers ensuring company business plan reporting to GCGC includes financial performance.</p> <p>At each meeting there is a company risk and performance update from every significant company and annually, a group outturn report.</p> <p>Further work includes co-ordination of the nominated support officers into a formal group for reporting and updating of group company issues, the implementation of a company database IT solution and supporting the relationship with Audit Committee following Committee Chairs liaison during the year.</p>
3	<p><b>Major Projects and Transformation</b></p> <p>The Council is involved in an ambitious programme of delivery including a range of major projects which include partnership working arrangements and sometimes complex legal agreements.</p>	<p>Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time.</p> <p>During Summer 2021, the CPMO designed and implemented a robust corporate monitoring mechanism for reporting major programmes and transformation initiatives that are underway across the Council.</p> <p>The stated design aim of the reporting was to “Provide CLT (Corporate Delivery Board) with a digestible and actionable, exception focussed, overview of programme status (delivery &amp; money) that is produced collaboratively and independently assured by the CPMO and Finance.”</p> <p>This is a monthly mechanism designed to provide CLT and Members with assurance and visibility across a range of</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		<p>significant programmes, increasing accountability through collaborative reporting that brings together key programme stakeholders, Finance Business Partners and the CPMO.</p> <p>The monthly process is underpinned by a programme dashboard that tracks the delivery of programmes, benefits and associated costs. This monitoring also incorporates the savings tracker, designed by the CPMO and updated monthly by Finance Business Partners.</p> <p>The programme dashboards are summarised into a monthly report, with recommendations and mitigating actions, that is presented to CLT before being presented by the CPMO at CDOG to the Deputy Leader and Cabinet Member for Finance &amp; Resources with the Director Council Management, Chief Executive and Interim Director of Transformation. The report is then presented to the Leader before being presented to EMT / Informal Cabinet.</p> <p>This monitoring mechanism is continuing to improve and evolve to reflect emerging programmes and is now well embedded in programmes across the Council to support delivery of the Corporate Plan.</p>
4	<p><b>Housing</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>The service was unable to assess applications to the housing register at the rate they were being received through the first part of 2021-22.</p> <p>An increase of 10% from 2020 to 2021 in approaches as homeless placed further pressure upon temporary accommodation provision.</p>	<p>Additional resources were identified, trained and mobilised to concentrate on the backlog of applications with a target to be inside the performance measure by March 2022.</p> <p>The backlog did reduce significantly but the target was not fully met due to the sustained increase in applications to the housing register. Work continues to reduce backlogs and meet the performance measure.</p> <p>Significant investment is underway in order to prevent homelessness and reduce pressure upon temporary</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		accommodation and eliminate the use of Bed & Breakfast accommodation.
5	<p><b>Asset Condition and Sufficiency</b></p> <p>Many operational assets are in very poor condition following years of budget restrictions, lack of investment and dispersed management arrangements.</p> <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>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p> <p>There have been a considerable number of assessments and surveys associated to relevant pieces of legislation undertaken by specialist providers across the estates to ensure that the council discharges its Duty Holder responsibilities. Planned Preventative Maintenance cycles are in place to ensure that necessary works are undertaken and Service Contracts are in place for a number of statutory controls.</p> <p>Officer and stakeholder boards for major scheme management and reporting to Capital Board or Cabinet as appropriate are in place to provide assurance on individual programmes.</p>
6	<p><b>Recruitment and Retention</b></p> <p>A number of services across all directorates are reporting difficulties in attracting applicants for roles.</p> <p>Current market forces are impacting negatively on the ability to attract and retain the right calibre people to achieve the Council's ambitions.</p>	<p>The end to end recruitment process is currently being revised to align with the new Oracle Recruitment Cloud system implemented in May 2022, with a focus on a candidate-centred approach. High profile marketing campaigns for key services were launched in June to attract to key roles in services including finance and social care.</p> <p>A Council-wide vacancy marketing campaign and an associated vacancy marketing budget is also in development. The Council has also secured membership of Vercida jobs platform – which is a way of attracting new and diverse candidates.</p>



Issue No	Governance Issue	Mitigation Action / Proposed Action
7	<p><b>Birmingham SEND Inspection –</b> Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspections of Birmingham SEND provision raised significant concerns requiring the Clinical Commissioning Group 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 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.</p> <p>The Department for Education has appointed a Commissioner to hold the Local Area to account to deliver the required improvements. The Council will work closely with the Commissioner on the improvements that are required.</p>	<p>The Council will work closely with its Parent Carer Forum as the next steps are planned and intends to address the fundamental weaknesses in the system that have been identified whilst building upon those showing promise, including joint commissioning, the better quality of more recent Education Health and Care Plans and the work the Council is doing with mainstream and special schools.</p>

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 .....  
Deborah Cadman  
Chief Executive