

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Director of Finance

Date of Meeting: 24 November 2015

Subject: ANNUAL GOVERNANCE STATEMENT - PROGRESS

Wards Affected: All

1. Purpose of Report

- 1.1. The Annual Governance Statement (AGS) was approved at Audit Committee on 28th July 2015 and formed part of the Statement of Accounts for 2014/15, agreed at Audit Committee on 29th September 2015.
- 1.2. Section 6 of the AGS identified significant governance issues in 2014/15. The section included 7 key issues for the Council which may impact on the organisation's governance arrangements.
- 1.3. This report advises Audit Committee of the arrangements which are in place for these issues including reference to recent reports which have been made on these matters.

2. Recommendation

- 2.1. To consider the report and to agree that a further update should be made to the Committee in March 2016.

Contact officer: Sarah Dunlavey
Telephone No: 0121 675 8714
e-mail address: sarah.dunlavey@birmingham.gov.uk

3. Background

- 3.1 The AGS has been developed as part of local government's response to the corporate governance agenda.
- 3.2 The evaluation and development of Internal Control within the Council forms a core function of Audit Committee. The 2014/15 AGS report was formally approved by Audit Committee on 28th July 2015. The AGS formed part of the Statement of Accounts for 2014/15 approved by Audit Committee on 29th September 2015 and formally published on 30th September 2015.
- 3.3 The significant issues raised were summarised in section 6 of the original 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.
- 3.4 The Schedule at Appendix 1 to this report picks out these key issues and identifies the lead directorate addressing them.
- 3.5 The Schedule gives Audit Committee an overview of the issues which bear on the AGS and how the Council is managing these.

4. Legal and Resource Implications

- 4.1 The AGS is a requirement of Regulation 6 (1) of the Accounts and Audit Regulations 2015 and meets the corporate governance best practice recommendations. 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 culture change under the Future Council.

7. Recommendations

- 7.1 To consider the report and to agree that a further update should be made to the Committee in March 2016.

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Jon Warlow – Director of Finance

Governance Statement Issue	
<p>1. <u>Safeguarding</u> <u>Background Information from AGS</u></p> <p>Safeguarding children remains a priority.</p> <p>Work will include implementing action plans as a result of the review by Commissioner Lord Warner, producing a robust Business Plan for 2015/16 and future years and evaluating the strength of Senior Management arrangements.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	
<p>Responsible Directorate: People</p>	
Original Proposed Action AGS	Update/Progress
<p>The Council has worked with the Children's Commissioner, Lord Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children.</p> <p>Increased funding of £21.5m has been allocated in the 2015/16 financial year.</p> <p>The Care Act established the requirement to set up an independent Safeguarding Board for Adults. Arrangements are in place to work alongside the existing membership of the Birmingham Adults Safeguarding Board (BSAB) with a view to ensuring that local arrangements are compliant with the Care Act.</p>	<p>The improvement plan has been agreed by Cabinet and includes practice improvement, recruitment and retention, commissioning and partnership working. It reflects a new vision and purpose for Children's Services and focuses on how we will support workers to deliver more direct social work with families to bring about positive change for children.</p> <p>The improvement plan is closely monitored by the Lead Cabinet Member and reports are regularly received by Quartet arrangements and Scrutiny.</p> <p>The Chief Social Worker has been appointed and, with Principal Social Workers for each of the areas and Multi Agency Safeguarding Hub (MASH), will review and drive practice improvement underpinned by a new Quality Assurance Framework.</p> <p>The Council has recruited a dedicated Head of Service for the Independent Reviewing Service, linked to a much more effective Quality Assurance framework and a more robust 'Safety Net' for children across the city.</p> <p>Discussions in future models for Safeguarding</p>

	<p>Boards are underway.</p> <p>Arrangements for conducting Safeguarding Adults Reviews have been established and an officer from within the partnership appointed to lead these.</p> <p>Adult safeguarding policy and procedures have been reviewed and redrafted to bring them in line with the Care Act, in partnership with the other West Midlands regional leads for adult safeguarding.</p> <p>All adult social workers and managers have been briefed on the changes to practice required under the Care Act in relation to Adult Safeguarding, in particular the need to always conduct enquiries in a person-centred outcome-focused manner, adopting the principles of Making Safeguarding Personal.</p>
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Governance Statement Issue

2. Financial Resilience

Background Information from AGS

The Council faces continued reducing resources. This poses challenges to the financial resilience of the Council, the potential for significant organisational upheaval as well as workforce reductions and compulsory redundancies.

The Council's Business Plan sets medium term strategies for business changes, the management and development of its services and maintenance of its assets, and a specific plan over a period of up to 10 years.

Given the Council is in the fifth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.

Responsible Directorate:
Economy

Original Proposed Action AGS	Update/Progress
<p>7 Member-led service reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available.</p> <p>Recommendations from the reviews were considered as part of the Business Plan 2015+.</p> <p>In its future years' business planning, by focusing on the position at 2020/21 and changes required to meet the budgetary position at this time, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.</p>	<p>Extensive work has been undertaken over the Summer period, as part of the Future Council programme, to develop medium-term savings proposals within the context of the Future Operating Model for the Council and its vision for the city of the future. A particular, although not exclusive, focus this year has been on the potential for reducing the demand for services, and in exploring new ways of commissioning improved outcomes for the people of Birmingham.</p> <p>A period of public engagement and formal consultation on specific proposals in the Autumn will be followed by formal reporting and the setting of the budget at the City Council meeting on 1st March 2016, in the context of a refreshed medium-term financial strategy.</p>

Governance Statement Issue

3. Equal Pay

Background information from AGS

The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources. Financial resilience continues to be a focus for external auditors and increasing demands to evidence Going Concern.

Responsible Directorate:

Economy

Original Proposed Action AGS	Update/Progress
<p>The law in respect of equal pay is complex and has developed over the past 10 years. Any entitlement to compensation has to be justified in accordance with the legal position.</p> <p>Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge.</p> <p>The Council has sought to secure settlements that represented the best outcome for the taxpayer.</p>	<p>Any equal pay claims issued against the Council continue to be subject to detailed analysis and robust legal challenge. Where payments are justified, the Council has sought to secure settlements that represent the best outcome for the taxpayer.</p> <p>There remain a significant number of claims that are either valid claims suitable for settlement or are claims that are currently subject to legal challenge.</p> <p>The Council has planned its resources proactively in order to seek to ensure that appropriate funding will be in place when needed, and actions are being put in place to generate the required level of capital receipts.</p>

Governance Statement Issue

4. Responding to the Kerslake Review

Background information from AGS

Lord Kerslake reviewed the governance arrangements of the City Council during 2014/15. The recommendations in the report are summarised as follows:

- Appoint an independent improvement panel and draw up an improvement plan
- Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the corporate centre and introduce a programme of culture change
- Move to all out elections and undergo an Electoral Review
- Develop a robust financial plan up to 2018/19
- Strengthen the HR function
- Establish a new model for devolution
- Facilitate the creation of a new independent leadership group
- Redefine the council's partnership approach
- Complete a combined authority governance review by July 2015
- Creation of a new partnership vehicle focussed on employment and skills

The Independent Improvement Panel signed off the council's Year 1 Improvement Plan on 23 March 2015.

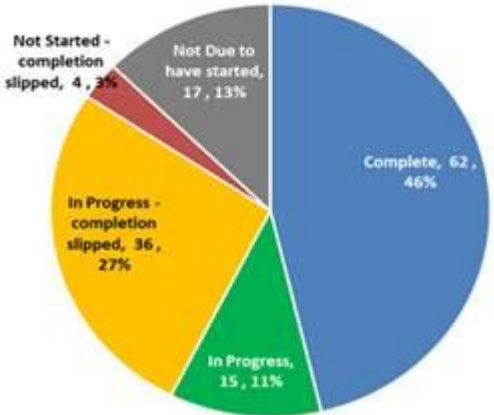
Responsible Directorate:

Council wide

Original Proposed Action AGS	Update/Progress	
<p>The Council's response is encompassed in the Future Council Programme. The Future Council Programme has six key parts which are referred to in the Independent Improvement Panel June 2015 report. These are:</p> <ul style="list-style-type: none"> • Whole Council – this is the key building block for all of the work programmes and identifies the vision and values for the Council of the future – answering the “what are we here for?” and the “how will we change?” questions • Council Operating Model – this focuses on developing an approach for how the Council will work in the 	<p>The Future Council Programme is progressing under the sub-programmes listed to the left, alongside delivery against specific actions arising from the Kerslake review. An Evaluation Framework is in place to track progress against actions and outcomes and oversight is provided through the Programme Board chaired by the Chief Executive.</p> <p>The Improvement Panel's latest letter was issued on 5 November 2015.</p>	
	<p>Appoint an independent improvement panel and draw up an improvement plan</p>	<p>The Birmingham Independent Improvement Panel (BIIP) meets regularly, with both formal and informal sessions. The next formal, public session is on 14th December.</p>
	<p>Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the corporate centre and introduce a</p>	<p>A series of member-officer workshops have taken place and a member development programme created. The Protocol on Councillor-Officer Relations has been reissued.</p> <p>A report from INLOGOV, which is assisting the Council with work on</p>

<p>future and the financial planning to underpin it</p> <ul style="list-style-type: none"> • Forward the Birmingham Way – this looks at the changes we need to make to the workforce, and how we can work together better, both internally and with our partners • Political Governance - this focuses on the role of elected members in empowering communities and better connecting people to the design and delivery of local services • Partnerships - this creates an outward looking, inclusive approach to the way we operate that concentrates on the best interests of the city and those who live and work here • Integrated Support Services - this ensures that internal support services (e.g. Human Resources (HR), Finance, Performance, Policy etc.) work in an integrated, efficient way that serves the rest of the organisation and our customers and partners <p>A West Midlands Combined Authority Launch Statement was issued on 6th July 2015.</p>	<p>programme of culture change</p>	<p>member and officer roles, is due in late November.</p> <p>The planning framework has been simplified and the Leader's Policy Statement aligned with the Business Plan.</p> <p>The corporate centre is being strengthened through the recent appointment of an Assistant Chief Executive and a Strategic Director for Change and Corporate Services. Other key appointments are also in the pipeline.</p> <p>A programme of culture change is being led by the Forward The Birmingham Way sub-programme.</p>
	<p>Move to all out elections and undergo an Electoral Review</p>	<p>The approach and timescales have been agreed with the Boundary Commission and this is being progressed under the Political Governance sub-programme.</p> <p>In June, the Boundary Commission made the decision to reduce the size of the Council to 100 council members, after considering the council's submission setting out scenarios for Birmingham's governance in 2020.</p> <p>Political Party submissions to Boundary Commission on ward boundaries and member numbers for these were completed in September.</p> <p>A second consultation at the end of this year, will invite residents to comment on draft proposals before final recommendations are published.</p> <p>The new wards will come into effect at the local elections in 2018 when all councillors will be up for election.</p>
	<p>Develop a robust financial plan up to 2018/19</p>	<p>The operating model sub-programme led a series of 37 workshops attended by 120 services to first learn about demand management as a way of designing and delivering services and then secondly, develop options for service change and savings.</p> <p>New options for future service delivery were then developed into cases for change and presented to</p>

		<p>Executive Management Team.</p> <p>Budget proposals for the next four years are being developed from these.</p>
	Strengthen the HR function	<p>Senior interim post holders were immediately brought in to strengthen strategic HR capability. Capability issues have been robustly addressed and the permanent post of HR Director is being recruited. Temporary assistance for Organisational Design in the form of a Team Leader for Culture Change and external support are in place and the service is undergoing redesign.</p>
	Establish a new model for devolution	<p>Changes to the devolution model include:</p> <ul style="list-style-type: none"> the introduction of neighbourhood challenge at District Committees community planning framework in draft with agreed plan to work in two pilot areas to develop and support their respective planning approach community governance (Constitution change and Policy Guidance via Cabinet). <p>New constitutional changes at ward and district level commenced October 2015.</p> <p>Sutton Coldfield Steering Group has been established to lead into the Sutton Coldfield Interim Parish Council on 1st March 2016 and probable Town Council in May 2016.</p> <p>A new cross party member review group has been established to oversee the Sutton Coldfield Steering Group and consider the learning and replicability of the model and other forms of neighbourhood governance.</p>
	Facilitate the creation of a new independent leadership group	<p>The Birmingham Partners steering group has been established. The Future Council Programme is providing practical support and coordination for partnership activities.</p>
	Redefine the council's	Commitment secured from

	<p>partnership approach</p>	<p>stakeholders to take forward partnership approach. Existing citywide partnerships have been reviewed to identify and develop shared values for partnerships, including 360° feedback from partners on performance and approach.</p> <p>The Council's values and behaviours towards partners and within partnerships are being developed.</p> <p>A statement to help redefine the Council's role in the city with its partners was written by Cllrs McKay and Bore.</p> <p>Changes in leadership will require a review of this approach once a new Leader is in place.</p>																		
	<p>Complete a combined authority governance review by July 2015</p>	<p>The governance review for the Combined Authority has been completed.</p>																		
	<p>Creation of a new partnership vehicle focused on employment and skills</p>	<p>A plan and proposals have been developed with key partners and stakeholders for creation of partnership initiative for improving employment and skills in most deprived parts of Birmingham.</p>																		
<p>Most major milestones for the sub-programmes are on target. Work is ongoing to deliver all budget savings required. Embedding and sustaining changed member and officer behaviours remains a challenge.</p> <p>The status of all Kerslake action plan milestones as of 21st October is shown below. All incomplete actions have owners and are being closely monitored, with updates on a monthly basis.</p> <p>Kerslake Action Plan Milestones - Status (as of Oct 2015)</p>  <table border="1"> <thead> <tr> <th>Status</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Complete</td> <td>62</td> <td>46%</td> </tr> <tr> <td>In Progress</td> <td>15</td> <td>11%</td> </tr> <tr> <td>In Progress - completion slipped</td> <td>36</td> <td>27%</td> </tr> <tr> <td>Not Due to have started</td> <td>17</td> <td>13%</td> </tr> <tr> <td>Not Started - completion slipped</td> <td>4</td> <td>3%</td> </tr> </tbody> </table>			Status	Count	Percentage	Complete	62	46%	In Progress	15	11%	In Progress - completion slipped	36	27%	Not Due to have started	17	13%	Not Started - completion slipped	4	3%
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Governance Statement Issue

5. Alternative Service Delivery Vehicles

Background information from AGS

The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services to facilitate the Future Council agenda.

This includes the Council created wholly owned company, Acivico into which services such Building Cleaning, Birmingham City Laboratories and Civic Catering have been transferred.

Other options may include:

- The potential transfer of Specialist Care Services to a Mutually Owned Social Enterprise (MOSE) during 2015/16.
- Outsourcing of services.
- Commissioning services.

Responsible Directorate: Economy/People

Original Proposed Action AGS	Update/Progress
<p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases.</p> <p>The business cases are being developed with the full engagement of City Finance, Corporate Procurement, clients and third parties and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer.</p> <p>Services should only transfer when there is a mutual benefit to both the Council and the third party.</p>	<p>Following formal TUPE consultation, employees of Cleaning Services, Civic Catering and Birmingham City Laboratories successfully transferred to Acivico on 1st April 2015. The contract requirements include compliance with a set of Key Performance Indicators which are being reported to the Council.</p> <p>With regard to the People Directorate's proposition to transfer its adult care provider services into a MOSE an agreed position has been reached with the Cabinet Member that this is no longer appropriate. The process to externalise the service on a block contract basis became inconsistent with the Council's move to individualised budgets and increasing citizen choice with regards to how their needs are best met.</p> <p>All internal services are going to be evaluated against the outcomes in "A fair deal in times of austerity" policy document approved by Cabinet in April 2014.</p> <p>Proposals have also been fed into the Future Council work around the older and younger adults' cohorts.</p>

Governance Statement Issue

6. Responding to the Tomlinson Review

Background information from AGS

Sir Mike Tomlinson was appointed by the Secretary of State as Education Commissioner to oversee the Council's actions to address the fundamental criticisms in the Kershaw and Clarke reports. Sir Mike Tomlinson's review is on-going, however initial discussions and actions were brokered to ensure a strong future in Education.

Responsible Directorate:

People

Original Proposed Action AGS

Sir Mike Tomlinson's role will continue to 2016.

Proposals have been brought forward on the role of the Birmingham Education Partnership (BEP) and how the Council will align with new roles for schools.

Action is concentrated on completing the final shape of future partnership arrangements, and setting a commissioning plan showing how resources will be utilised to meet needs.

Update/Progress

The Education and Schools Strategy Improvement Plan agreed in December 2014 built on a number of pieces of work including the Clarke and Kershaw reports. Progress has been made on a number of issues including a revised recruitment process for LA governors; guidance to schools on the Nolan principles of good governance; improved take up of safeguarding training; a new whistleblowing policy implemented from January 2015 and improved communications.

The Education Plan is closely monitored through Cabinet Member, Quartet and Scrutiny.

The Council has commissioned Birmingham Education Partnership to deliver school improvement support and challenge functions from September 2015.

BEP has been established and is drawing new roles and support.

The Council is confident in the progress made and looks to sustain this with future improvement staff leadership roles.

The City Council and DfE agreed to the appointment of the Deputy Commissioner to the interim post of Executive Director Education, from April 2015.

An Education Improvement Group comprising

	<p>of the Council, DfE, Regional Schools Commissioner and Ofsted meets monthly to share information on schools causing concern.</p> <p>Systematic school surveys are in place to inform the work of the Council.</p> <p>Work on civic leadership and community cohesion is being developed given the need to tackle the causal factors underlying governance and safeguarding concerns in some Birmingham schools. This will complement the city leadership approach to be established in the light of the Kerslake review.</p> <p>Arrangements are currently in hand for a week long peer review, by the LGA, of progress to date and next key steps.</p>
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Governance Statement Issue

7. Compliance with requests under FOI and DPA Legislation **Background information from AGS**

The risk of the Information Commissioners Office (ICO) imposing financial penalties for failure to comply with statutory obligations in responding to information requests under Freedom of Information (FOI) & Data Protection (DPA) legislation, or loss of significant personal or other sensitive data.

Responsible Directorate:
Economy

Original Proposed Action AGS	Update/Progress
<p>Strengthened procedures.</p> <p>All staff to be aware of their responsibilities to manage data effectively and be appropriately trained.</p> <p>Improved response rates to Subject Access Requests (SARs).</p>	<p>Human Resources Management Team now considers progress on SARs on a weekly basis, with reports on progress made with ongoing SARs and escalation where necessary.</p> <p>Children's Services consider progress on SARs with ongoing cases and have seen an improvement in performance due to additional resources in the Disclosure Team who now manage all requests in this service area.</p> <p>The monitoring of internal performance has shown an overall improvement in SARs both in Children's Services and the Council as a whole.</p> <p>Monthly reports are provided to ICO on SAR performance.</p>