



Annual Governance Statement 2018/19

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### **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 operates a governance framework 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).

### **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 2019 and up to the date of approval of the Statement of Accounts.

### 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 five clear priorities:

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

- 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 2018/19 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 2018/2019. 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 Council Plan and Budget 2018+.
- 3.10. A robust system to monitor the achievement of savings proposals and scrutiny by Council Management Team (CMT), Budget Board and Cabinet is in place and regularly undertook actions throughout the financial year to control spend. During 2018/19, the Council has overhauled and strengthened its financial planning and control framework and reasserted 'grip' of the financial position with a series of interventions that have enabled the Council to eliminate a £28m in-year pressure since the May 2018 election. Where pressures were identified, Directors were required to find alternative solutions and actions to contain spending within cash limits.
- 3.11. 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 is seeking to improve 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 a contingency funding in case of savings delivery difficulties.
- 3.12. 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. ,
- 3.13. External reviews, including the '*Kerslake Review*', highlighted many areas for improvement – much of which the Council already knew about itself – including the lack of a corporate strategic picture and therefore workforce reductions which were not focused in terms of delivering savings.
- 3.14. As the vision for the future priorities is now clearer, the workforce and employment model needs to be reshaped to ensure that the Council is fit for that future through the Council's Workforce Strategy, agreed by Cabinet in 2018. The strategy will guide a much stronger approach to staff engagement, empowerment and culture change.
- 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. 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.

- 3.18. Change across local government continues. A Mayor was elected on 6 May 2017 to head the West Midlands Combined Authority (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 Trust is a wholly owned company of the Council 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 2018/19 financial year: the Leader, Deputy Leader and eight other Cabinet Members with the following portfolios:
  - Cabinet Member – Children's Wellbeing;
  - Cabinet Member – Clean Streets, Waste and Recycling; (renamed Street Scene and Parks from May 19)
  - 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.

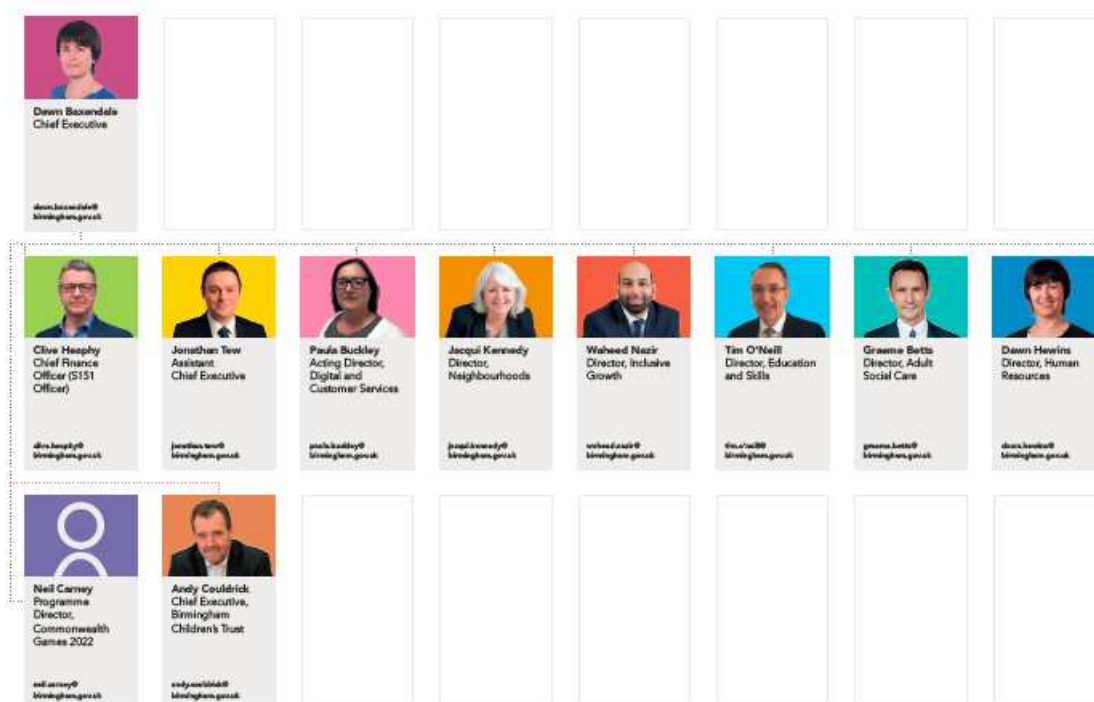
- 3.24. The CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.
- 3.25. CBMC oversees the Council's relationship with the Independent Remuneration 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 2018/19, the Council operated through six Directorates, Adult Social Care and Health, Children and Young People, Economy, Finance and Governance, Place and Strategic Services with a separate Human Resources Directorate from July 2018.
- 3.32. A senior management restructure took place in 2018/19 resulting in revised directorate names and responsibilities with effect from 21 January 2019.
- 3.33. The Council's management structure as at 31 March 2019 was as per the diagram below:



3.34. In addition, during the year, the following key changes occurred

- Dawn Baxendale was appointed as permanent Chief Executive and started with the Council on 1 April 2018. Her departure was announced in July 2019.
- Dr Tim O'Neill was appointed as Director – Education and Skills on 7 January 2019, replacing Colin Diamond who left 31 August 2018.
- Angela Probert left the Council on 15 February 2019 and the post of Chief Operating Officer was deleted.
- Neil Carney took up the role of Programme Director, Commonwealth Games on 29 May 2018

Peter Bishop was appointed as Director, Digital and Customer Services from 1 July 2019.

### Financial Management Arrangements

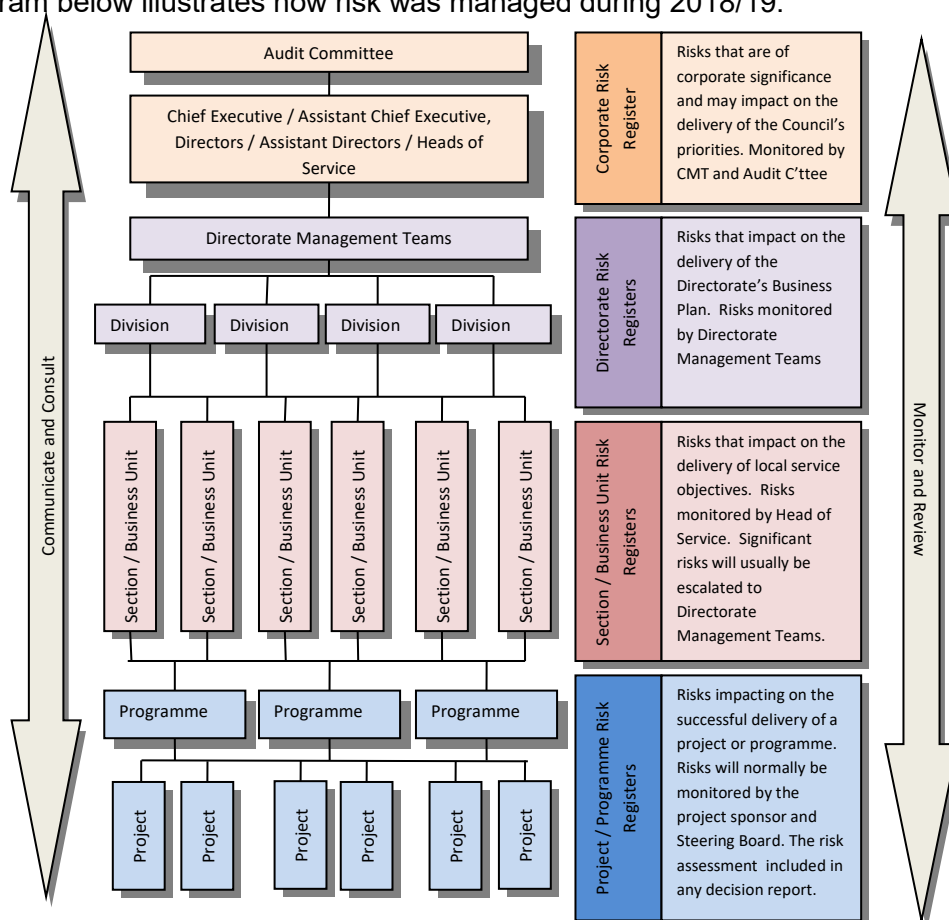
3.35. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:

- 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

- 3.36. 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.
- 3.37. 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.
- 3.38. 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.
- 3.39. Risk management continues to be embedded within the Council. The schematic diagram below illustrates how risk was managed during 2018/19:





- 3.40. The Risk Management Framework is available on the Council's website, and advice and support is provided as requested. Updated information regarding the management of the risks within the Council's Corporate Risk Register continues to be reported to the Audit Committee three times per year. CMT identifies new risks to the Council, and the draft Corporate Risk Register update is reported to it monthly. CMT 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.
- 3.41. Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's systems. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery.
- 3.42. 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.

#### Birmingham Independent Improvement Panel (BIIP)

- 3.43. Following Lord Kerslake's review of the Council's corporate governance (published in December 2014), the Birmingham Independent Improvement Panel (BIIP) was set up in January 2015. The Council and BIIP have worked closely together from this time.
- 3.44. In a letter to the Secretary of State for Communities and Local Government in April, the BIIP confirmed it had officially stood itself down in March 2019.
- 3.45. In its April 2019 report, the BIIP acknowledged that "there has been meaningful progress over the last 10 months. We recognise the huge amount of work that Birmingham City Council is doing to get itself on the right track and tackle deep entrenched problems" but "due to the enormous challenges encountered in the last year and still being experienced, the pace of improvement continues to be slower than everyone involved would want".
- 3.46. The letter recommended the Minister for Housing, Communities and Local Government "Put in place external independent challenge and support, additional to that proposed by the Council, to replace the Panel." The Council is planning to maintain constructive and critical challenge through internal scrutiny and sector-led arrangements.

#### External Audit

- 3.47. In July 2018, the external auditor undertook the relatively unusual step of issuing a number of Statutory Recommendations under Section 24 of the Local Audit and Accountability Act 2014. This measure was a strong warning to the Council of the Auditors concerns and was the second such report issued to Birmingham City Council in three years.
- 3.48. 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.

#### Member Development

- 3.49. The Members 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 CMT 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.
- 3.52. The Members' Development Programme 2018/19 was delivered around three areas as outlined in the table below:

New Member Induction	Role Specific Training	On-going Member Development
<b>Aim: To give oversight of Council processes and procedures to enable new members to get quickly up to speed with their role.</b>	<b>Aim: ensuring members have the knowledge and understanding of legal and governance requirements to carry out role on regulatory and scrutiny committees.</b>	<b>Aim: to provide ongoing development opportunities for members related to current and potential future role and responsibilities.</b>
Understand role and responsibilities, the Council's values & behaviours, define new development offer.	Planning, Licensing and Scrutiny training provided to support members.	Skill development (e.g. mental health, first aid); networks and external courses.
Code of conduct and the constitution.		On-going transformation (e.g. Children's Trust, apprenticeships, homelessness, universal credit).

Who's who in Birmingham, customer intelligence and access to IT and council services.		Community leadership including local leadership, tools for ward working).
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### Workforce

- 3.53. 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.
- 3.54. During 2018/19, 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

- 3.55. 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.
- 3.56. 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.
- 3.57. 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.
- 3.58. In 2018 the Council held a "summer of engagement" including "Working Together in Neighbourhoods" and the Community Cohesion Strategy. "Forward together to build a fair and inclusive city for everyone" is the first Community Cohesion Strategy for Birmingham, developed in partnership with citizens, communities and organisations across the city.

## **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, responding to the BIIP reports and other review agencies and inspectorates.

- 4.2. The Council published a Corporate Governance Improvement Plan and reported progress against planned actions, the most recent in March 2019.
- 4.3. 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.
- 4.4. 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.
- 4.5. 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.
- 4.6. 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 2018/19 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. This assurance also needs to be taken in context of the findings from the Birmingham Improvement Panel, External Audit and CIPFA’s review into financial management, all of which limit my overall assurance.”* 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 CMT. The more significant of these are set out in the section entitled **‘Significant governance issues 2018/19’** 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 2018/19 including an integrated assessment of Health and Social Care on delayed transfer of care, corporate parenting and the Sustainability and Transformation Partnership.
- 4.13. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CMT, 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 122 concerns raised and considered under the Council’s Whistleblowing & Serious Misconduct policy in the 2018/19 financial year.

## **5 Review of 2017/18 governance issues**

- 5.1. The significant 2017/18 governance issues were considered by Audit Committee in June 2018, agreed as part of the Statement of Accounts in July 2018 and reviewed as part of the Corporate Risk Register updates in the 2018/19 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud and the Local Government Ombudsman Annual Review.
- 5.2. Children’s Safeguarding issues were considered by Cabinet and the Schools, Children and Families O&S Scrutiny Committee. This O&S Committee also considered issues such as the Children’s Trust, the Education and Children’s Social Care Improvement Journey, child poverty and children missing from home or care.
- 5.3. Housing and Neighbourhoods O&S Committee reviewed progress of the Homelessness Prevention Strategy and Cabinet received an update on the implementation of the Homelessness Reduction Act.

- 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 BIIP to formulate and implement action plans in response to the Kerslake review.

## 6 Significant governance issues 2018/19

- 6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Corporate 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>Financial Resilience</b></p> <p>The Council faces continued reducing 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>Given the Council is in the ninth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it, remains high.</p> <p>The risk of schools deficits and strain on the high needs block is monitored via the corporate risk register as these costs may ultimately need to be borne by the council.</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.</p> <p>A number of controls have been introduced to support schools and provide early warning of difficulties setting balanced budgets.</p>
2	<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</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>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>working as Birmingham works 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.</li> <li>• Birmingham Children's Trust.</li> <li>• Sustainability Transformation Programme</li> </ul>	<p>Children's Services have 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>In the light of weaknesses identified in the Council's role as accountable body for the LEP, a joint protocol is being developed to define relationships more formally so that there is greater clarity of role. Strengthening and tightening capital financial controls. Closely monitoring expenditure on major projects to ensure projects are achieved on time and within budget.</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>
3	<p><b>The Improvement Agenda</b></p> <p>The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>Review of services and associated budgets will require significant and substantial changes to the way services are provided, both internally and when working with other service providers.</p> <p>The Council has committed to</p> <ul style="list-style-type: none"> <li>• commission an independent review of the Council's model of waste collection and disposal services;</li> <li>• a formal review of the industrial relations framework in 2019 with peer support</li> </ul>	<p>A People Strategy has been designed to reshape the workforce and employment model to ensure the Council is fit for the future.</p> <p>In the forthcoming year the significant planned budget reductions will increase pressure on services, which will need to be re-shaped and adopt more efficient ways of working to mitigate and manage this.</p> <p>In order to maintain a level of constructive and critical challenge, the Council is actively working with audit, overview and scrutiny and external peers to drive a sector-led approach to sustaining improvement in the future. A Strategic Programme Board will provide oversight of progress.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
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>Service redesign including reconfiguration of the frontline service, enhanced staffing levels and a new IT system in place from January 2019.</p> <p>A project plan has been produced for all programmes of works required to investigate cladding systems and any associated remedial works to further enhance existing fire safety measures. This includes :</p> <ul style="list-style-type: none"> <li>• A programme to fit sprinkler systems to 213 high rise blocks over a 3 year period.</li> <li>• A programme to carry out fire risk assessments to all communal areas annually.</li> </ul>
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>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>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 to build robust and collaborative governance</p>



Issue No	Governance Issue	Mitigation Action / Proposed Action
		arrangements.
7	<p><b>Workforce</b></p> <p>Recent industrial disputes in the Waste Service and Enablement Service potentially impacting on the Council's efforts to modernise its services.</p> <p>Radical change is required to the culture and behaviours of the organisation and implementation of more effective and streamlined organisational structures which promote innovation, financial resilience and accountability.</p>	<p>The Council will engage positively with a joint working group of trades unions to review its waste service.</p> <p>The Council will commission an independent review of its waste service and act on its findings.</p> <p>A People Strategy has been designed to reshape the workforce and employment model to ensure the Council is fit for the future.</p>
8	<p><b>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>The corporate risk register monitors contractual risks in relation to Early Years, Travel Assist and the Highways PFI contract.</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> <p>A consensual settlement agreement has been signed for Amey plc to exit the Birmingham Highways PFI contract. As part of the agreement, Amey will continue to provide services until a replacement contractor is found to deliver those services on an interim basis. That interim replacement will be in place no later than 1st April 2020. The full retendering of the project to find a permanent replacement contractor will take place during 2020/21.</p>

- 6.2. These matters are monitored through the Corporate Risk Register, CMT 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 .....

Dawn Baxendale

Chief Executive