

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Strategic Director – Finance & Legal

Date of Meeting: 14 March 2017

Subject: ANNUAL GOVERNANCE STATEMENT - PROGRESS

Wards Affected: All

1. Purpose of Report

- 1.1. The Annual Governance Statement (AGS), approved by Audit Committee on 21 June 2016 identified six key issues which could impact on the Council's governance arrangements.
- 1.2. The Council seeks to actively address and monitor these matters. This report provides Audit Committee with an update on the arrangements which are in place to mitigate the impact of the issues identified.

2. Recommendation

- 2.1. Members are asked to consider the report and provide comments.

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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 2015/16 AGS report was formally approved by Audit Committee on 21 June 2016. The AGS formed part of the Statement of Accounts for 2015/16, considered at Audit Committee on 12 September 2016, approved by the Chair of Audit Committee on 29 September 2016 and formally published on 30 September 2016. The first update to the AGS was reported to Audit Committee on 22 November 2016.
- 3.3 The significant issues raised by officers and agreed at Audit Committee 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. The information contained within the Audit Committee's November 2016 update remains within this report; the March updates are in addition to this information.

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 Members are asked to consider the report and provide comments.

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Steve Powell, Acting Chief Financial Officer

Appendix 1

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 continue to review the action plans in place as a result of the review by Commissioner Lord Warner and producing a robust Business Plan for 2016/17 and future years.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	
Responsible Directorate: People	
Original Proposed Action AGS June 2016	Update/Progress
<p>The Council has launched an operating model which sets out the vision, values, direction and shape of the service.</p> <p>A Practice Evaluation Programme has been introduced.</p> <p>A clear performance framework that provides challenge and</p>	<p><u>November 2016 Update:</u></p> <p><u>Children's Services</u></p> <p>The operating model is now embedded and supported by a practice evaluation programme which includes systematic monthly auditing of cases informing learning and development. It is a strong platform to improve the quality of social work intervention. Staff like the model and Ofsted has endorsed it.</p> <p>There has been a practice evaluation programme in place since January 2016. Team Managers undertake one practice evaluation per month and learning is shared with the social worker. Themes across the city on relation to practice are collated and learning cascaded to teams through the quarterly practice evaluation bulletins. Using this framework as a learning</p>

<p>accountability at all levels has been introduced.</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>tool is beginning to improve practice and needs to be linked to performance.</p> <p>The performance framework spans political leadership through to frontline/area challenge to practice and improvement.</p> <p>The Council is now exploring new governance arrangements via a children's trust model.</p> <p><u>Adult Services</u></p> <p>The Council has met its statutory requirements for safeguarding adults under the 2014 Care Act by:</p> <p>Establishing policy and procedure and working arrangements to recognise the need for, and undertake statutory Safeguarding Adults Enquiries (or cause others to do so).</p> <p>Ensuring arrangements are in place for independent advocates to support adults with care and support needs who have substantial difficulty in participating in their enquiry and have no one else to help them.</p> <p>Reviewing and agreeing with partners the amended membership, governance, operating agreement and strategic ambitions of the existing Safeguarding Adults Board. The present chair has announced his intention that the Board will in future move to adopt the recommendation of the Act's Statutory Guidance to appoint an Independent Chair. The Board has arrangements to undertake Safeguarding Adults Reviews. It has published its strategic plan for 2015-18, and shortly publishes its Annual Report for 2015/16.</p> <p><u>March 2017 Update:</u></p> <p><u>Children's Services</u></p> <p>The Council is setting up a Children's Trust for early help and children's social care services. Approval was given at Cabinet in January 2017; a chair designate appointed and a shadow</p>
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	<p>Trust scheduled to begin in April 2017 with proposals for a full Trust in place by April 2018.</p> <p>Revised improvement plans including Ofsted recommendations have been agreed and developed with partners. The first Ofsted monitoring visit is scheduled in March 2017.</p> <p><u>Adult Services</u></p> <p>The Service Director, who held the position of the Chair of the Adults' Safeguarding Board, left the Council at the end of December, before an independent Chair to replace him had been appointed. The existing Deputy Chair has taken on the role temporarily, whilst the process for appointing a replacement is agreed and conducted.</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 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 sixth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.

The risk of failure to deliver the necessary actions to achieve savings requires close monitoring.

Responsible Directorate: Corporate Resources

Original Proposed Action AGS June 2016	Update/Progress
<p>Service Reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available.</p> <p>By focussing on its Future Council 2020 vision, the Council has agreed its 2016/17 budget and a multi-year financial strategy to deliver the vision</p>	<p><u>November 2016 Update:</u></p> <p>The Council continues to have robust systems for monitoring its budget with regular reporting to Corporate Leadership Team (CLT) and Cabinet. A Mid-Year Review included a realistic assessment of difficulties in delivering the savings programme, and this is being taken into account in planning for future years. It also obtained approval for a number of new savings initiatives as part of the Council's "live budgeting" approach.</p> <p>The Council recognises the scale of the challenge represented by the savings still necessary to be made and this is the primary focus of the administration and senior management.</p>

<p>Budget Monitoring will be undertaken by budget holders and reported to Cabinet and the Corporate Leadership Team on a regular basis.</p>	<p>The development of new savings options is being informed by the Council's policy priorities, and robust implementation and consultation plans will be put in place. The Council continues to take a medium-term view in its financial planning.</p> <p>Comprehensive consultation on budget proposals will take place as usual.</p> <p><u>March 2017 Update:</u></p> <p>Implementation plans have been developed and quality assurance and new monitoring and governance arrangements have been put in place, facilitated by a Programme Management Office.</p> <p>Corporate budget consultation took place during December/January and this will be complemented by directorate led consultation on specific proposals, where appropriate. Budget proposals have been reviewed in the light of consultation responses and implementation planning.</p> <p>The Council is developing contingency plans to provide some mitigation against delivery difficulties, by taking forward further potential savings initiatives for further evaluation and by continuing to pursue opportunities for efficiency improvements. In addition, the Council holds an Organisational Transition Reserve, which provides some contingency funding.</p>
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Governance Statement Issue

3. Equal Pay Claims

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 the external auditors and increasing demands to evidence Going Concern.

Responsible Directorate: Corporate Resources

Original Proposed Action AGS June 2016	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><u>November 2016 Update:</u></p> <p>Settlement of valid claims is subject to availability of financial resources and relevant governance approval in line with delegated authority. Claims are robustly challenged prior to any settlement.</p> <p><u>March 2017 Update:</u></p> <p>Claims are still being issued against the Council. However, the level of new claims received each month has reduced compared with comparable periods in previous years.</p> <p>The Council continues to challenge all equal pay claims issued against it.</p>

Governance Statement Issue

4. Governance Arrangements **Background Information from AGS**

From the review of governance arrangements made by Lord Kerslake and following the Birmingham Independent Improvement Panel's (BIIP) review, work on the Future Council Programme continues.

This includes:

- Clear values, purpose and vision for the future Council, along with its future operating model;
- A medium term outcomes-driven council and financial plan to take the Council to 2020/21;
- Strategic alignment of outcomes, resources, policy-making, service delivery, governance and roles and responsibilities; and
- Sufficient senior leadership capacity to transform the organisation and deliver sustainable change.

Responsible Directorate: Corporate Resources

Original Proposed Action AGS June 2016	Update/Progress
<p>Develop the Future Council Programme to:</p> <ul style="list-style-type: none"> • Define the vision for the Council. • Deliver the changes required in workforce, organisation and infrastructure to achieve a financially sustainable and resilient operating model. • Create an agile and adaptive organisation. 	<p><u>November 2016 Update:</u></p> <p>During the summer 2016 Executive Management Team worked to agree a clear vision and set of priorities for the Council which was released in a Council Plan document in October 2016.</p> <p>Working with trades unions has progressed to enable the Council to reach a point of negotiating a collective agreement on workforce terms and conditions.</p> <p>Agile working has now been established as a stand-alone project in the People Strategy; working with Property and IT the project group is working through key milestone dates to initiate the project. The development of the improvement hub will include a change academy to develop individuals' skill sets in change, to ensure the organisation has the capability and capacity to change in the future.</p>

<ul style="list-style-type: none"> • Deliver the actions set out in the Organisation Improvement Plan, developed in response to the Kerslake review and BIIP. • Budget Monitoring will be undertaken by budget holders and reported to Cabinet and the Corporate Leadership Team on a regular basis. 	<p>The Gap Analysis assessment has enabled the Council to stay on top of its improvement plan. Each action has clear milestones and targets associated with it, which is reported into CLT Quarterly Performance Board.</p> <p>Budget monitoring is reported as part of regular Cabinet, Portfolio Holder and CLT briefings to ensure knowledge of the forecast outturn position is as accurate as possible. This enables immediate action to be taken to address budget pressures.</p> <p><u>March 2017 Update:</u></p> <p>Vision and Priorities, alongside a future operating model were launched to staff at an all staff conference at the end of November. The Vision and Priorities have been subject to public consultation and will be considered by Council. This will put in place a clear political mandate for the priorities, outcomes and activities the organisation needs to deliver.</p> <p>Consultation on the future operating model commenced in January/ February 2017.</p> <p>The Improvement Hub has been fully operational from December 2016 and is delivering interventions across 5 key service areas.</p> <p>The focus of the future operating model on developing a clear skillset for managers and leaders in the organisation will be supported by the work of the Improvement Hub and the Change Academy.</p>
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Governance Statement Issue

5. Partnership Working **Background Information from AGS**

The Council is seeking ways to improve effective partnership working, such as working with neighbouring authorities through establishing the combined authority and taking forward the devolution deal.

The Council is looking at ways of working together across a range of agencies, to improve services outcomes and reduce costs.

Options may include:

- Using or considering alternative delivery vehicles.
- Outsourcing of services.
- Commissioning services.

Responsible Directorate: Corporate Resources, People

Original Proposed Action AGS June 2016	Update/Progress
<p>The partnership with neighbouring authorities and the devolution deal the Council signed with the Chancellor of the Exchequer in November 2015 are major steps forward for Birmingham and the West Midlands. The Council must continue to work closely together through the next vital stages as it establishes the Combined Authority</p>	<p><u>November 2016 Update:</u></p> <p>The West Midlands Combined Authority (WMCA) was formally established in July 2016. Work continues on the implementation of the Devolution Agreement. The Mayoral Order (creating the post of elected mayor and the election in May 2017) was approved in Parliament in September. The Mayoral CA Order (putting in place the devolved powers) will be presented to the Council for approval on 6 December.</p> <p>The Council continues to play a prominent role in the work of the WMCA and is leading the work on devolution strategy and the current negotiations for a second devolution deal. Officers</p>

<p>and begins to implement devolution - making sure that work leads to permanent benefits for the region.</p> <p>The Future Council Sub programme Outward Looking Partnerships is reviewing the way the Council works with its partners - working equally to a common shared purpose.</p> <p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases.</p>	<p>are also leading on housing policy and the Leader of the Council has been given the key Cabinet Portfolio of Economic Growth.</p> <p>During the Autumn, work has been undertaken with partners to develop a vision for the City.</p> <p><u>Children's Services</u></p> <p>The Council is exploring new governance arrangements via a children's trust model.</p> <p>The children's trust model has progressed to the scoping/consultation phase after a paper was presented to Cabinet in September 2016. There are currently 2 models being considered and a board is to be set up to oversee this.</p> <p><u>March 2017 Update:</u></p> <p>An "Organisational Development" (OD) approach is being used with partners to support the long term building of effective relationships and to ensure the skills of the workforce are developed in the partnership context.</p> <p>This includes the launch of a new module on effective partnership working that has been trailed with staff from February 2017.</p> <p>Work is also under development on more effective collaboration at neighbourhood level amongst public sector partners.</p> <p><u>Children's Services</u></p> <p>A model for the proposed Children's Trust was approved at Cabinet on 24 January 2017. A shadow Trust will begin in April 2017 with a full Trust in place by April 2018.</p>
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Governance Statement Issue

6. Organisational Changes **Background Information from AGS**

The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies.

These organisational changes can impact on the productivity and efficiency of the organisation through the loss of experienced staff; impacts on the morale of the workforce, with the potential negative consequences on employee relations and increased the potential for industrial action.

Responsible Directorate: Corporate Resources

Original Proposed Action AGS June 2016	Update/Progress
<p>Through the Future Council Programme: Forward the Birmingham Way, a new employee engagement programme is focused on redefining organisational and employee expectations and requirements.</p> <p>In the forthcoming year the significant budget reductions including the proposals for the new workforce contract may strain industrial relations. However,</p>	<p><u>November 2016 Update:</u></p> <p>The Council has developed a clear approach and programme of work to enable the development of the Future Council. The priorities and objectives of the Council are established along with the design principles to inform the future operating model.</p> <p>Employee engagement networks; Forward Champions, CLT and Managers' Voice have been used to frame the operating model for the organisation to ensure employee ownership, buy-in and understanding. Alongside this, a project has started to define the role of the Birmingham Manager which will be used to inform a number of projects including spans and layers project, to define organisational requirements.</p> <p>Despite the extremely challenging context in relation to reductions in headcount and terms and conditions industrial relations are strong. Consequently in the short term the likelihood of</p>

<p>positive local relationships with the trades unions and their understanding of the challenges will contribute to mitigating and managing this.</p>	<p>industrial action is low.</p> <p><u>March 2017 Update:</u></p> <p>An all staff conference was held in December which around 1,600 staff attended either in person or via webcast. The webcast is still available to watch and has been cascaded at frontline sites (e.g. waste) to ensure every member of staff had the opportunity to hear key messages from the Leader and Chief Executive. Feedback from the conference is being collated.</p> <p>Corporate Leadership Team (CLT) Forum continues to run on a monthly basis on a variety of topics to involve CLT in the development of key strategic stands and has also invited in external speakers to highlight different practices and ways of doing things as well as providing opportunities for members of staff to showcase the work they have been doing (including Chamberlain's team of the year).</p> <p>The role of the Forward Champions has been re launched and will now form part of the talent identification strand of the Improvement Hub to ensure the Council is using the engagement forum to harness talent and ideas from across the organisation.</p> <p>The Future Operating Model (FOM) will be the vehicle for applying the work on the Birmingham Manager and 'Spans and Layers'.</p> <p>The FOM is aiming to reset the expectations and focus of the organisation and is being led through OD to ensure that the operating model focuses on identifying the right people with the right skills to fill the right roles.</p> <p>Consultation on the budget savings proposals including the FOM has commenced and an agreed process and timeline to ensure that meaningful consultation is achieved is in place.</p>
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