

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Interim Chief Finance Officer

Date of Meeting: 20 June 2017

Subject: 2016/17 ANNUAL GOVERNANCE STATEMENT

Wards Affected: All

1. Purpose of Report

- 1.1. The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2016/17 and reports on the Council's internal control regime.
- 1.2. Section 6 of the AGS includes 6 key issues for the Council which may impact on the organisation's governance arrangements.

2. Recommendations

- 2.1. To approve the Annual Governance Statement that will be included in the 2016/17 Statement of Accounts.
- 2.2. To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee during the year.

3. Background

- 3.1 Annual Governance Statement (AGS) has been developed as part of local government's response to the corporate governance agenda.
- 3.2 The AGS forms part of the Council's annual Statement of Accounts. The Statement of Accounts will be available, post audit, at the September meeting.
- 3.3 The significant issues raised in the Assurance Statement and audit processes are summarised in section 6 of the AGS. This section comments very broadly on the Council's achievement of its central objectives and external assessments, it raises issues arising from joint working with partners and refers to significant matters highlighted by the annual review of internal control.

4. Legal and Resource Implications

- 4.1 The AGS is a requirement of The Accounts and Audit Regulations 2015, Regulation 6(1)(b) and meets the corporate governance best practice recommendations. There are no direct resource implications arising from this report.

5. Risk Management & Equality Impact Assessment Issues

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

6. Compliance Issues

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

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Mike O'Donnell – Interim Chief Finance Officer, Finance

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Annual Governance Statement 2016/17

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).

2. The purpose of the governance framework

- 2.1. Good governance is dynamic. The Council as a whole is committed to improving governance on a continuous basis through a process of evaluation and review.
- 2.2. The Council must try to achieve its objectives while acting in the public interest at all times. 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.
- 2.3. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities 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 appropriate 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 2017 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's vision and priorities in terms of the contribution to strategic outcomes are set out in the Vision and Forward Plan (the Plan). The Plan is updated each year and is available on the Council's website.
- 3.3. 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. Outcomes have been developed and progress against these priorities is monitored through a set of key performance measures which have been formally agreed by Cabinet following discussion with Members. Regular monitoring and reporting against these measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.4. In turn, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed.
- 3.5. 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 part of the Council's long term financial strategy.
- 3.6. 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).
- 3.7. The Council's vision for the future of Birmingham is for a city of growth, in which every child, citizen and place matters.

3.8. The Council has four clear priorities:

3.8.1. **Children – a great place to grow up in.** To make the best of the city's diversity and create a safe and secure city for children and young people to learn and grow.

3.8.2. **Housing – a great place to live.** To provide housing in a range of types and tenures to meet the needs of all current and future citizens of Birmingham.

3.8.3. **Jobs and Skills – a great place to succeed in.** To build on the city's assets, talents and capacity for enterprise and innovation to shape the market and harness opportunity.

3.8.4. **Health – a great place to grow old in.** To help people become healthier and more independent with measurable improvement in physical activity and mental wellbeing.

3.9. Using the vision and priorities as a bed rock, the Council is creating the Council of the Future through a major transformation programme. The model below illustrates how the Council will shape and direct change:



3.10. There is recognition of the need for change in how the Council must work if it is to deliver the Council of the Future transformation. For employees, a Future Operating Model (FOM) will be implemented. The FOM aims to ensure the right supporting structures and the required changes to support new ways of working.

- 3.11. The FOM will also be implemented to support the Council's savings and budget plans. The Council faces significant funding reductions and challenges in achieving its budget plans, outlined in the Financial Plan 2017+. This has been highlighted by both the Birmingham Independent Improvement Panel (BIIP) and through a recommendation under Section 24 of the Local Audit and Accountability Act 2014, made by the external auditors. Throughout 2016/17 a thorough review of savings was undertaken. A Mid-Year Review was carried out to identify how much the Council could mitigate the in-year position and identified savings in the budget that were at risk. Those that were considered to be undeliverable have been written out of future years' financial plans.
- 3.12. Ultimately, the Council of the Future will be smaller and more strategic, partnership based, more about people and better at managing demand.
- 3.13. Profound change across local government is also underway. During 2016/17 the WMCA was established and a mayor elected on 6 May 2017. 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.
- 3.14. The Council has a strong public, third sector, and business engagement role. 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. A programme of review against these requirements is led by Overview and Scrutiny.
- 3.15. The Council launched a Birmingham Partners' Network to provide the space and time for key players across Birmingham to come together.
- 3.16. Working with partners, the Council assumes a strategic role for the Greater Birmingham area, working with the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) to develop collaborative solutions to common problems, and facilitating coherent programmes with regional and international partners to deliver an economic strategy for the city and region. LEP projects follow the Council's governance processes, managed and monitored through a Project Delivery Board, with regular reporting to the LEP Board by the LEP Champion.
- 3.17. Given the increased importance of companies as service delivery vehicles, a dialogue has commenced with the Council's external auditor about what best practice would represent, and the value of this was reflected in the Grant Thornton report "Birmingham City Council Group Governance Review", dated 25 May 2016.
- 3.18. A Group Company Governance Committee was established as a Cabinet sub-committee, 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.

- 3.19. The Council's Constitution is codified into two documents, Part A and Part B, which are available on the intranet and the Council's website. The Constitution is reviewed annually by the Monitoring Officer and any amendments are agreed at the Annual General Meeting. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.20. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2016/17 financial year: The Leader, Deputy Leader and eight other Cabinet Members with the following portfolios:
- Cabinet Member – Children, Families and Schools;
 - Cabinet Member – Value for Money and Efficiency;
 - Cabinet Member – Transport and Roads;
 - Cabinet Member – Clean Streets, Recycling and Environment;
 - Cabinet Member – Health and Social Care;
 - Cabinet Member – Housing and Homes;
 - Cabinet Member – Jobs and Skills;
 - Cabinet Member – Transparency, Openness and Equality.
- 3.21. The Constitution sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council.
- 3.22. 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.
- 3.23. 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.
- 3.24. CBMC also discharges the Council's functions in relation to parishes and parish councils.
- 3.25. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The role of the Audit Committee includes active involvement in review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts.

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

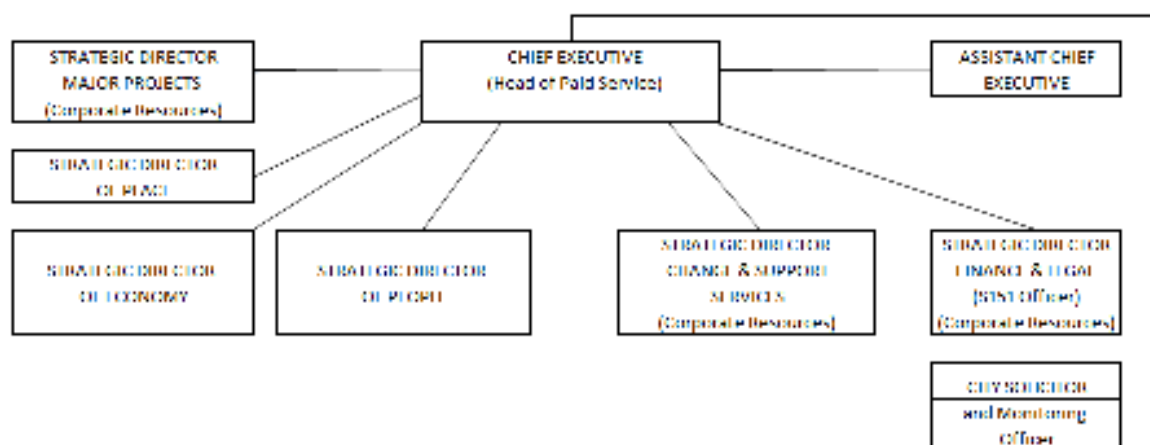
- 3.26. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.27. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.

- 3.28. The Council has a Code of Conduct for Members and a Code of Conduct for 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

- 3.29. The Council operated within four Directorates during 2016/17, Economy, Corporate Resources, People and Place.

- 3.30. The Council's management structure in 2016/17 was as per the diagram below:



- 3.31. The Chief Executive left the Council on 28 February 2017 and an Interim Chief Executive was appointed by Full Council on 4 April 2017. The Strategic Director Finance and Legal left the Council on 28 March 2017. An Interim Chief Finance Officer was appointed on 21 March 2017. The Strategic Director - People stood down from his role on 31 March 2017. An Interim Corporate Director – Adults, Social Care and Health and Interim Corporate Director – Children and Young People will replace the Strategic Director - People role. The Assistant Chief Executive will be leaving the Council during early 2017/18. The appointment of the Chief Executive of the Children's Trust was announced in May 2017.

3.32. The new management structure for 2017/18 is as per the following diagram:



Financial Management Arrangements

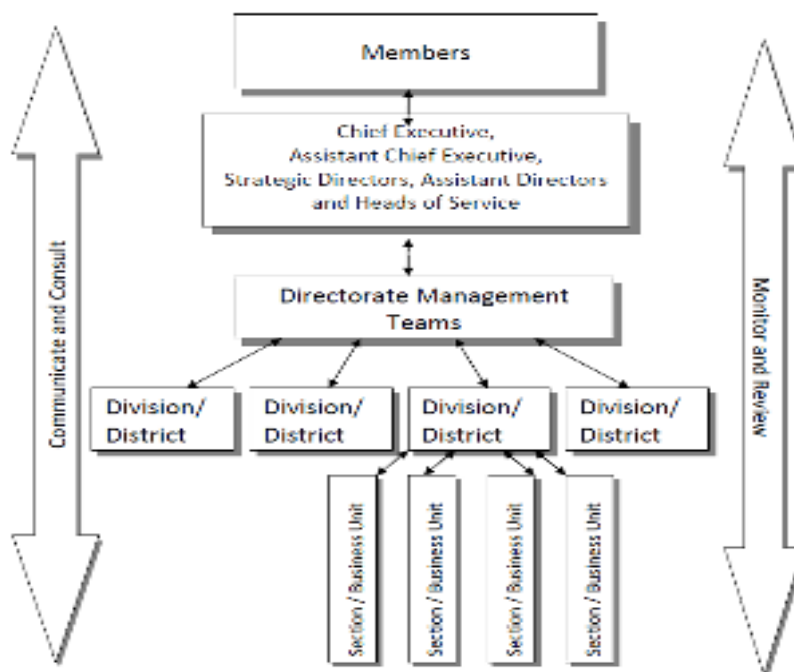
3.33. The role of the Chief Finance Officer (CFO)/Section 151 Officer :

- The CFO is 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;
- The CFO is 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;
- The CFO leads 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

3.34. 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.

- 3.35. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Complaints are actively tracked through the process and independently reviewed.
- 3.36. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet, Cabinet Members and Districts 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.
- 3.37. Risk management continues to be embedded within the Council. The diagram below illustrates how risk was managed during 2016/17:



- 3.38. The Risk Management Policy Statement, Strategy and Methodology 2017 have been placed 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. CLT identifies new risks to the Council, and have the draft Corporate Risk Register update reported to it the month before it goes to the Audit Committee. CLT challenge the update information provided, and recommend re-wording or deletion of risks as appropriate. In addition business plans at directorate and divisional level include key risks.
- 3.39. 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 intranet for financial,

information communications technology and business procedures, and People Solutions for Human Resources policies and procedures. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery. 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.

Capacity and Capability

- 3.40. The financial reductions facing the Council are impacting on workforce capacity. Having a flexible, skilled and mobile workforce will be critical to the Council effectively responding to increasing demand and reducing resources.
- 3.41. The Council and BIIP jointly commissioned an independent review of the Council's revenue 2017/18 budget proposals and long term financial plans. The review considered whether the Council's proposals for 2017/18 and longer term financial plans were credible and robust and considered the Council's ability to deliver its financial plans.
- 3.42. An initial review was undertaken with a follow up visit in January 2017. The BIIP noted in the initial review that the Council had responded seriously to the financial challenge and had set about reassessing its financial bases to more realistic levels to address the financial gap. A number of areas of the financial plans were ambitious and some areas of risk were identified.
- 3.43. In the follow up visit, the BIIP concluded that the Council had responded well to the recommendations of the review team; that work was underway to review saving profiles of high-risk proposals where appropriate and the Council had established more robust governance arrangements to monitor the progress of the delivery of savings; the Council was reviewing its reserves strategy and giving consideration to a contingency plan; there was greater clarity and consistency in the delivery plans for main service areas and there had been a strengthening of capacity to support change corporately.
- 3.44. The BIIP did identify some risks on the deliverability of the Council's financial plans including that the implementation of the FOM will require bold, focused, suitably experienced and tenacious managerial leadership; that contingency savings plans be prepared at a very early stage of development; for the Council to assess the impact on corporate capacity to transfer children's services to a Children's Trust and for the Council to review its approach with partners as current ways of working could inhibit the development and achievement of new ways of working.
- 3.45. The Council has in place a strategy for facilitating the implementation of the savings proposals including managing significant workforce reductions through redundancy and potentially outsourcing. This includes an organisational design tool kit, training and online tools for managers along with a team of trained HR professionals to support the most complex projects.

- 3.46. In addition to the Members' Development Programme, 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 e-mail. This gives details of legislation, training opportunities and other issues of importance to Members. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council services or services provided by partner organisations.
- 3.47. The Members' Development Programme for 2016/17 was delivered around three areas as outlined in the table below:

New Member Induction	On-going Member Development
Aim: To give oversight of Council processes and procedures to enable new members to get quickly up to speed with their role	Aim: to provide ongoing development opportunities for members related to current and potential future role and responsibilities
Understand role and responsibilities, the Council's values & behaviours, define new development offer	Skill development (e.g. social media, public speaking); networks and external visits
Code of conduct and the constitution	On-going transformation (e.g. Children's Trust)
Who's who in Birmingham, customer intelligence and access to IT and council services	Community leadership including bid writing, local leadership, Neighbourhood and Community Planning Toolkit)
1-2-1's	
Member/Officer Relationship	
Aim: members and officers share understanding about their roles and responsibilities and how they work together	
Member & Officers – redefined roles & expectations, supported by development programme	
Underpinning behavioural standards, the new constitution and community governance with outward place focus	

- 3.48. During 2016/17, the 'My Appraisal' review process was consolidated. This streamlined the personal review process and enabled 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

- 3.49. 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 Financial Plan 2017+ consultation process included public meetings led by the Council's Leader and Cabinet, a series of question and answer sessions on Twitter hosted by all Cabinet Members, consultation via post, email, and through the Council's website and consultation with the business community and the Chamber of Commerce.
- 3.50. 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.
- 3.51. The Customer First programme and Communications Review ensures that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. 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 also by comments made by the external auditors, responding to the BIIP reports 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. The Council's review process uses the Core Principles and Sub Principles included in this framework and this Statement sets out how the Council meets these roles and principles in its control and governance arrangements.
- 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 and inspection letter; 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 Interim Chief Financial 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. As in previous years the Birmingham Audit plan was compiled using 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 is discussed and agreed with the Corporate Directors and Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. 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 2016/17 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: "I am able to provide reasonable 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 a number of concerns that required remedial action and these were reported to the appropriate Strategic / Corporate Director or Senior Manager during the year. 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 2016/17**' below.
- 4.9. The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews management progress against issues raised in the AGS and in implementing recommendations made in significant, high risk audit reports.

- 4.10. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2016/17 including budget monitoring, the big challenges for Health and Social Care, maximising jobs and skills opportunities in the City and corporate parenting.
- 4.11. The Council Plan is monitored through the Council Financial Plan Measures on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate, Divisional, and Service unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.12. The Monitoring Officer advises that there were 128 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2016/17 financial year.

5. Review of 2015/16 governance issues

- 5.1. The significant 2015/16 governance issues were considered by Audit Committee in June 2016, agreed as part of the Statement of Accounts in September 2016, with updates in November 2016 and March 2017. In addition, this Committee received reports relating to the Corporate Risk Register, Final Accounts, Financial Resilience, West Midlands Pension Fund and Equal Pay.
- 5.2. Children's Safeguarding issues were considered by Cabinet and the Education and Vulnerable Children O&S Scrutiny Committee. The Educational and Vulnerable Children O&S Committee also considered issues such as the Children's Trust, governance and improving schools and child poverty.
- 5.3. Regular Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.
- 5.4. The Council worked closely with the BIIP to formulate and implement action plans in response to the Kerslake review. Work continues to embed the processes into 2017/18 and beyond.

6. Significant governance issues 2016/17

- 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>Safeguarding</p> <p>Safeguarding for both children and adults 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 2017/18 and future years.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	<p>The Council has launched an operating model which sets out the vision, values, direction and shape of the service.</p> <p>A clear performance framework that provides challenge and 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 (BASB) with a view to ensuring that local arrangements are compliant with the Care Act.</p>
2	<p>Financial Resilience</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'. The auditor noted in his Annual Audit Letter that there was considerable challenge for the Council to deliver its savings plans for 2016/17; and the potential impact on future years' savings plans.</p> <p>A statutory recommendation was made by the external auditor under Section 24 of the Local Audit and Accountability Act 2014; to ensure there was Council-wide commitment to deliver alternative savings plans to mitigate the impact of the combined savings and budget pressure risks in 2016/17 and for the Council to</p>	<p>Proactive actions are in place to plan and monitor the delivery of the savings programme including the delivery of workforce (including FOM) savings.</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>The Council will also pursue a contingency programme to identify and develop alternative savings proposals to address new pressures or help mitigate any savings deliverability issues.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>demonstrate it is implementing achievable actions to deliver the cumulative savings programme in the Financial Plan 2017+.</p> <p>Should the issues raised in the Statutory Recommendation not be fully addressed, the external auditors may issue a Public Interest Report.</p> <p>Given the Council is in the seventh year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it, remains high.</p>	
3	<p>Partnership Working and Alternative Service Delivery Vehicles</p> <p>The Council is seeking ways to improve effective partnership working, including working with neighbouring authorities in the newly established West Midlands Combined Authority.</p> <p>It is intended that Children's Services will move to a Trust arrangement from April 2018. The main driver for change is to improve the outcomes for disadvantaged children and young people through stronger practice led family support and social work service.</p> <p>The Council is looking at ways of working together across a range of agencies, to improve services outcomes and reduce costs.</p> <p>Options may include:</p> <ul style="list-style-type: none"> • Using or considering alternative delivery vehicles. • Outsourcing of services. • Commissioning services. 	<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>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases and shadow working arrangements.</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
4	<p>Equal Pay Claims</p> <p>The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources.</p>	<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. Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge. The Council has sought to secure settlements that represented the best outcome for the taxpayer.</p>
5	<p>Organisational Changes</p> <p>The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>The implementation of the FOM will require significant and substantial changes to current job roles and responsibilities which the Council will be consulting affected staff on.</p> <p>The changes will include:</p> <ul style="list-style-type: none"> • Rationalisation of support services • Review of spans and layers across the whole Council. 	<p>In the forthcoming year the significant budget reductions including the proposals for the FOM may strain industrial relations. However, positive local relationships with the trades unions and their understanding of the challenges will contribute to mitigating and managing this.</p>
6.	<p>Homelessness</p> <p>The costs of homelessness are rising, primarily through the use of B & B accommodation to house homeless households. Temporary accommodation use is at its highest recorded numbers in Birmingham and this rise reflects the national increase of 43%.</p> <p>There are proposed reductions in funding in Supporting People and other external providers.</p>	<p>The Housing Transformation Programme continues to review the service and financial impact for the homelessness service.</p> <p>This issue has been recognised as a budget pressure in the 2017/18 budget.</p> <p>Options to work with the third sector for alternative service provision are being explored.</p>

- 6.2. These matters are monitored through the Corporate 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 John Clancy
Leader of the Council

Signed
Stella Manzie
Interim Chief Executive
(& Head of Paid Service)

Signed
Mike O'Donnell
Interim Chief Finance Officer
(Chief Finance Officer & Section 151
Officer)

Signed
Kate Charlton
City Solicitor
(& Monitoring Officer)