

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Director of Finance

Date of Meeting: 28th July 2015

Subject: 2014/15 ANNUAL GOVERNANCE STATEMENT

Wards Affected: All

1. Purpose of Report

The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2014/15 and reports on the Council's internal control regime.

Section 6 of the AGS includes 7 key issues for the Council which may impact on the organisation's governance arrangements.

2. Recommendations

2.1. To approve the Annual Governance Statement, which will be included in the 2014/15 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 in November 2015 and March 2016.

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 2011, regulation 4 (3) 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 Future Council's objectives.

7. Recommendations

- 7.1 To approve the Annual Governance Statement, that will be included in the 2014/15 Statement of Accounts.
- 7.2 To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee in November 2015 and March 2016.

.....

Jon Warlow – Director of Finance

Contact officer: Sarah Dunlavey

Telephone No: 0121 675 8714

e-mail address: sarah_dunlavey@birmingham.gov.uk

Annual Governance Statement 2014/15

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 CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available as part of the Council's Constitution on the website. This statement explains how the Council has complied with the code and also meets the requirements of *Accounts and Audit (England) Regulations 2011*, regulation 4 (3) which requires all relevant bodies to prepare an annual governance statement (AGS).

2. The purpose of the governance framework

- 2.1. Governance is about the Council ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.2. 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.
- 2.3. 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.
- 2.4. The governance framework has been in place at the Council for the year ended 31 March 2015 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 purpose and vision for Birmingham

- 3.2. In a Policy Statement to Council in July 2014, the Leader set out a core mission to “work together for a fair, prosperous and democratic city”.
- 3.3. The Council Business Plan and Summary Budget 2015+ (The Plan) sets out the Council's priorities in terms of the Council's contribution to strategic outcomes as shown below:

Primary goal	Key Themes	Outcomes we seek
A Fair City	Safety	People are safe, especially the most vulnerable – from crime, violence and abuse.
	Health and wellbeing	Health and wellbeing, housing quality and life expectancy are at national levels for all. Older people are able to stay in their own homes and communities.
	Children and young people	Children are protected and young people are able to access opportunities regardless of background or special needs.
	Tackling poverty	Poverty amongst children and families is down to national averages – Birmingham has an ethical approach as a ‘Living Wage City’ and no social groups or local areas are blighted by extreme levels of unemployment and low incomes.
A Prosperous City	Learning, skills and local employment	People have the qualifications they need for work, including school leavers and the working age population. Young people are exposed to the world of work and career options. Skill levels are high and all young people are in employment, education or training. Everyone has access to the digital economy.
	Enterprise City	The economy is growing, business start-ups are the highest in the core cities and good jobs are being created.
	Infrastructure, development and Smart City	There is a sufficient affordable and low energy use housing supply to meet needs, provision for employment land and high levels of investment in transport and other infrastructure, including cycling and walking, digital technologies and district energy systems.
	A Green and sustainable City	Birmingham is more environmentally sustainable, with higher levels of recycling, lower energy use and cleaner neighbourhoods. There is a thriving green economy.
	Regional capital and reputation	The city fulfils its role as the regional capital and provides a quality of life that attracts more investors, visitors and also employees.
A Democratic City	Engagement, influence and contribution	Local people from all backgrounds are engaged in local democracy and have more influence on local decisions and localised services. Communities and individuals are able to make their contribution to the life of the city and governance is based on openness and transparency.
	A New Model of City Government	The government of the city will be transformed to match modern needs.
	Modern services that serve our citizens	Services work together, make use of new technologies and modern ‘hub’ facilities and are focused on ‘whole people’ and ‘whole places’. Citizens, businesses and agencies can co-create new services

- 3.4. The Plan is updated each year and is available on the Council's web-site.
- 3.5. 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.
- 3.6. Working with partners, the Council assumes a strategic role for the Greater Birmingham area, working with the 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.
- 3.7. 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 the public and reflect the vision articulated in the Leader's Policy Statement 2014. Progress against these priorities is monitored through a set of Council Business Plan measures, which have been formally agreed by Cabinet following discussion with Members. Regular monitoring and quarterly 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.
- 3.8. The Plan also includes a summary of high level actions for each Directorate to achieve the Council's priorities. These are supported in turn by more detailed Directorate and Service Plans which are also regularly monitored and reviewed against a set of performance indicators. However, the Kerslake report takes the view that the reductions so far have been too reactive and tactical. They need to be more strategic, transformational and underpinned by stronger analysis and makes the recommendation "BCC needs as a matter of urgency to develop a robust plan for how they are going to manage their finances up to 2018/19 without recourse to further additional funding from central Government". The Council is responding to this as a central part of its Future Council work.
- 3.9. 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 central to the Plan and the Council's long term financial strategy.

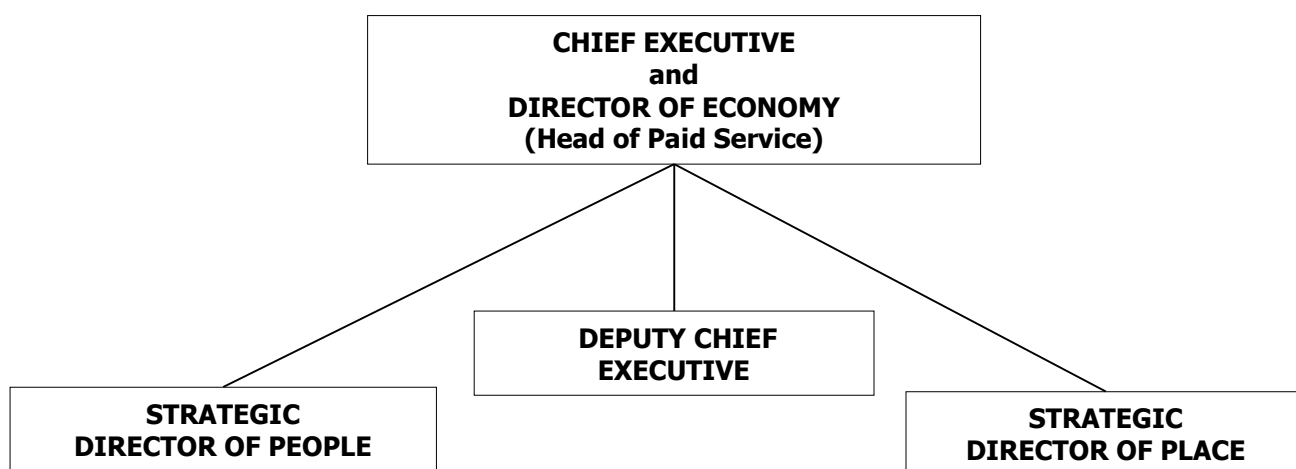
Roles of Members and Officers

- 3.10. The Council's Constitution is codified into one document which is available on the intranet and the City's website. The Constitution sets out the respective

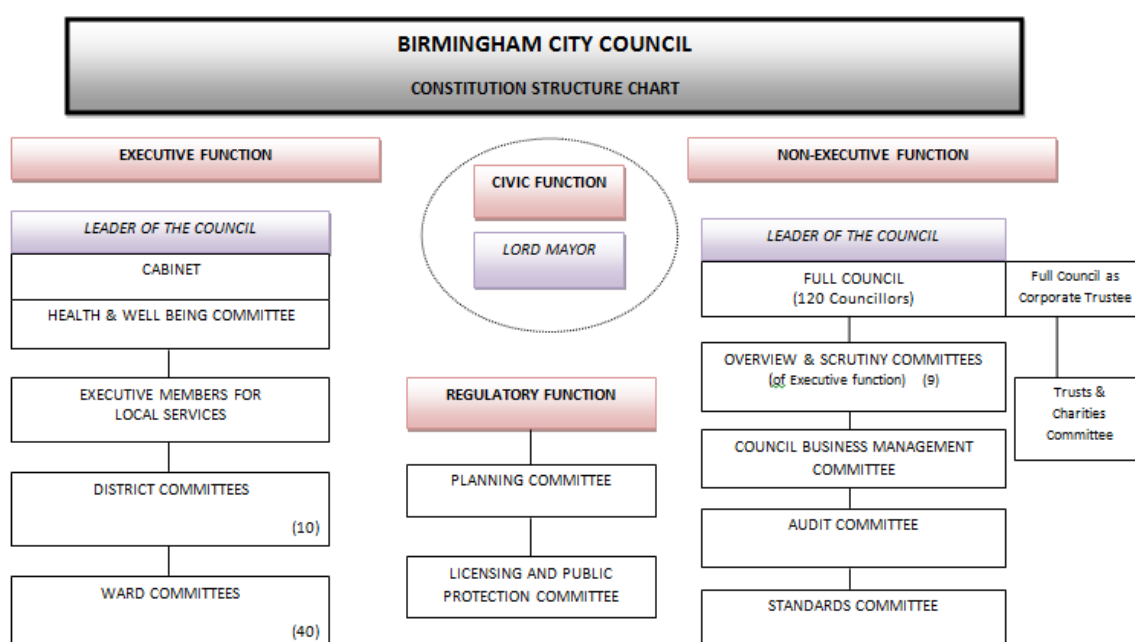
roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Director of Legal and Democratic Services and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution was agreed in May 2014. Further amendments were made during the year with the latest amendments made in March 2015. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee.

3.11. The Council operates within three Directorates, Economy, People and Place.

Management Structure



3.12. The Council facilitates policy and decision-making via an Executive Structure. There were nine members of Cabinet for the 2014/15 financial year: The Leader, Deputy Leader and seven specific Cabinet Member Portfolios based on a thematic structure. The Constitution Structure Chart is set out below:



- 3.13. Constitutional changes in May 2015 resulted in an eighth specific Cabinet Member Portfolio and revisions to the role of district committees and to the role and number of Overview and Scrutiny Committees.
- 3.14. The Council Business Management Committee (CBM) agrees the management of City Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters. 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.
- 3.15. CBM also oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBM submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.
- 3.16. 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.
- 3.17. The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified four statutory posts as follows:-
- Head of Paid Service - Chief Executive
Chief Finance Officer - Director of Finance
Monitoring Officer - Director of Legal & Democratic Services
Scrutiny Officer - Head of Scrutiny Services
- 3.18. Protocols determining the roles of these officers and their relationship with Members and other Officers are set out. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Strategic Directors.

Financial Management Arrangements

- 3.19. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

Role of the Chief Financial Officer:

The Chief Finance Officer (CFO) is a key member of the Corporate Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the authority'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 by the whole authority 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 Director of Finance as the Council's CFO:

- leads and directs a finance function that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

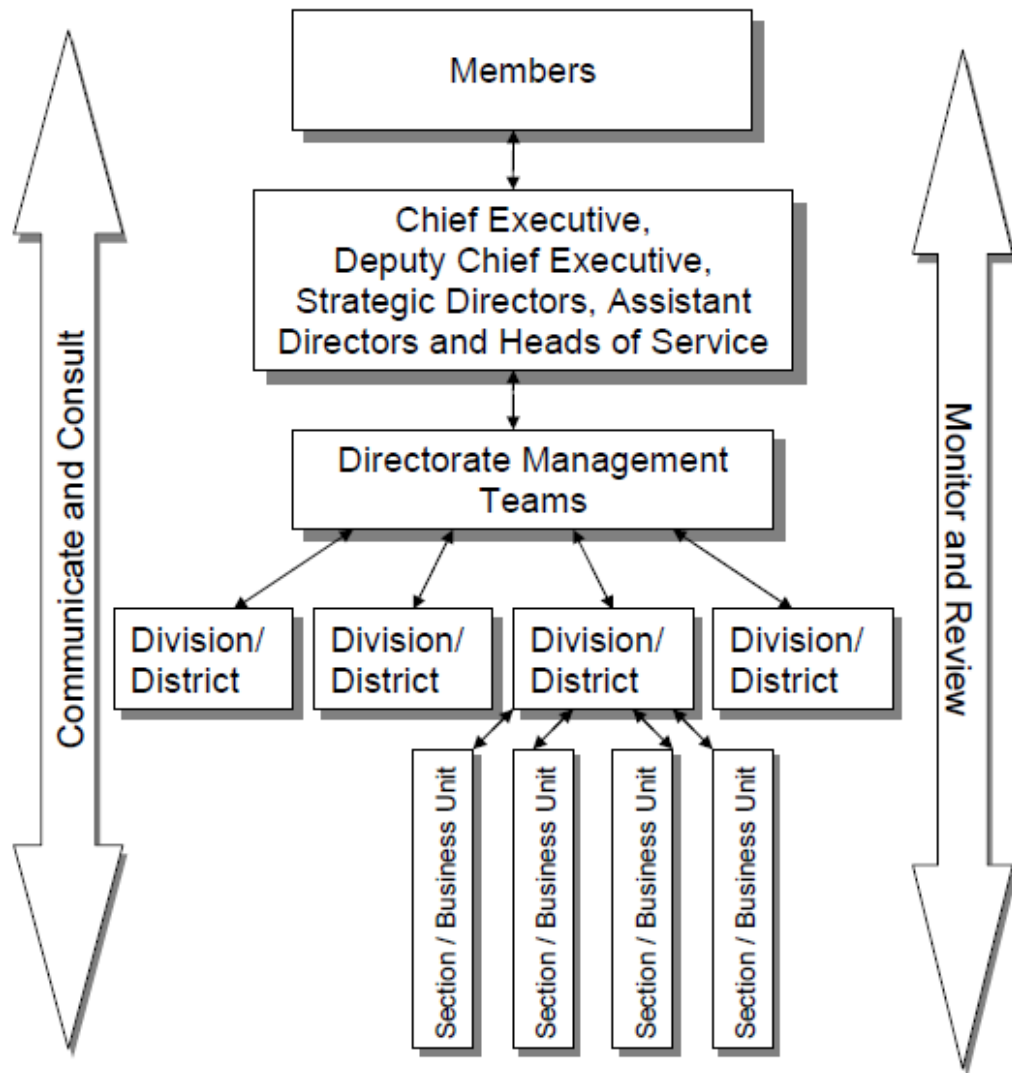
Values and standards of conduct and behaviour

- 3.20. 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. All Council employees participate through work groups in developing actions based on these values which assist in ensuring effective service delivery and the development of the whole organisation.

Scrutiny, Accountability and Risk Management

- 3.21. 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.
- 3.22. 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.
- 3.23. 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.
- 3.24. Risk management continues to be embedded within the Council. The following diagram illustrates how risk is managed:

Managing risk in Birmingham City Council



- 3.25. The revised Risk Management Policy, Strategy and Methodology have been placed on the Council's website, and advice and support is provided as requested - an example of this was the series of risk workshops ran in relation to the change in banking providers. The Council Business Plan 2015+ Budget Report and Resource Plan, includes a summary risk register which is supported by the Corporate Risk Register. The Corporate Risk Register is reviewed at the monthly Governance Group meetings and updated information regarding the management of the risks continues to be reported three times a year to the Audit Committee. The draft version is reviewed by the Effectively Managed Corporate Business (EMCB) Corporate Leadership Team sub-group. This provides challenge and is a forum for routine

discussion of risks facing the Council. In addition business plans at directorate and divisional level include key risks.

- 3.26. 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 City 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

- 3.27. The financial reductions facing the Council are impacting on workforce capacity and having a flexible, skilled and mobile workforce will be critical to enable the Council to effectively respond to increasing demand and reducing resources.
- 3.28. The Council has in place a strategy for facilitating the implementation of the Service Reviews 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. In addition there are number of work streams focused on immediate performance priorities which include the improvement agenda in Children's Services, improving attendance across the Council and ensuring a robust framework for terms and conditions and pay are in place to eradicate any potential for further equal pay risks.
- 3.29. The Future Council sub programme, Forward: The Birmingham Way will work to provide a framework that will support the workforce to be the right people doing the right things in the right way.
- 3.30. There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by Democratic Services, by e-mail. This gives detail 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. Group Offices encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative.
- 3.31. The Governance, Resources and Customer Services Overview and Scrutiny Committee carried out a review of Member training and a new approach to Member Development was agreed. The starting point for this approach was the May 2014 elections. A programme of training and development options including outlining the Council's services, the Members' Code of Conduct and

Council Governance, one to one sessions, legislative training and further development opportunities has been developed.

- 3.32. During 2014/15, the Personal Development and Review Process for all staff ensured that individual's targets were aligned with those of the organisation and enabled a consistent means of assessing and rewarding performance. It also provided a way of developing tailored training and development programmes for staff in a changing environment and managing the Council's system of competence based pay progression. The process has been reviewed for 2015/16 and the Council has launched the 'My Appraisal' process.

Engagement with the community and other stakeholders

- 3.33. 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 Business Plan 2015+ consultation process included consultation via online webcast question and answer sessions with Cabinet Members, consultation via post, mail, text and through the City's website, public meetings, community workshops, consultation with business representatives, delivery partners and third sector group; via a workshop for voluntary organisations organised in partnership with the Birmingham Voluntary Services Council, meetings with staff, Trade Unions and web chat sessions with the Leader of the Council.
- 3.34. Lord Kerslake's report identified that the council should facilitate the creation of a new independent Birmingham leadership group and that Birmingham City Council needed to redefine their partnership approach. The Council has been in discussions with an initial group of partners about the development of a City Partnership Group (CPG) – the form that this group could take, and the function that it should fulfil within the City. The Council and partners will be holding a series of engagement events over the summer of 2015 to gather views from a wider audience about how best to take forward the development of the City Partnership Group.
- 3.35. 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.
- 3.36. 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 Corporate Leadership Team within the Council who have responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets 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. This requires each Directorate and Service area to produce an Assurance Statement to the Chief Executive highlighting significant governance issues to be brought to his attention and the control procedures and mechanisms the Directorates have in place.
- 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;
 - 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 Director of Finance 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 2011. 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 risking 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 Strategic Directors and the 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. All 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 City

Council and the Service Area. These are submitted to Members, Strategic Directors and service managers as appropriate.

- 4.8. From the work undertaken by Birmingham Audit in 2014/15 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 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 EMCB. The more significant of these are set out in the section entitled '**Significant governance issues 2014/15**' 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 Annual Governance Statement and in implementing recommendations made in significant, high risk audit reports.
- 4.10. The Council's Governance, Resources and Customer Services Scrutiny Committee received reports on key control issues throughout 2014/15 including budgetary monitoring, risk issues including the Localisation of Council Tax Support and direct reports from The Leader and Deputy Leader.
- 4.11. The Council Plan is monitored through the Council Business 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 Director of Legal and Democratic Services advises that there were 46 whistleblowing complaints in the 2014/15 financial year. On 12th January 2015, a revised whistleblowing policy was implemented and members of the public as well as staff may now use the procedure. This has resulted in a greater number of complaints. Each complaint will be reviewed and investigated where appropriate.

5. **Review of 2013/14 governance issues**

- 5.1. During 2014/15, the significant 2013/14 governance issues were considered by Audit Committee in June, with updates in November 2014 and March 2015. In addition, this Committee received reports relating to the Corporate Risk Register, Final Accounts, Financial Resilience and organisational change issues.
- 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 raised within Lord Warner's Report and governance in schools.

- 5.3. Monthly Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.
- 5.4. Lord Kerslake's report reviewing governance arrangements within the Council was published on 9th December 2014. Action plans in response to the comments made were initiated between January and March 2015 and continue into 2015/16.
- 5.5. Ian Kershaw completed his review into the issues that related to the anonymous Trojan Horse letter in July 2014. The Council continues to act upon the recommendations made into this report and has reviewed the governance arrangements within schools and training for governors.

6. **Significant governance issues 2014/15**

- 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 children remains a priority.</p> <p>Work will include implementing action plans as a result of the review by Commissioner Lord Warner, producing a robust Business Plan for 2015/16 and future years and evaluating the strength of Senior Management arrangements.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	<p>The Council has worked with the Children's Commissioner, Lord Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children. Increased funding of £21.5m has been allocated in the 2015/16 financial year.</p> <p>The Care Act established the requirement to set up an independent Safeguarding Board for Adults. Arrangements are in place to work alongside the existing membership of the Birmingham Adults Safeguarding Board (BSAB) with a view to ensuring that local arrangements are compliant with the Care Act.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
2	<p>The Council faces continued reducing resources. This poses challenges to the financial resilience of the Council, the potential for significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>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.</p> <p>Given the Council is in the fifth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.</p>	<p>7 Member-led service reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available. Recommendations from the reviews were considered as part of the Business Plan 2015+.</p> <p>In its future year's business planning, by focusing on the position at 2020/21 and changes required to meet the budgetary position at this time, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.</p>
3	<p>The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources. Financial resilience continues to be a focus for external auditors and increasing demands to evidence Going Concern.</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>
4	<p>Lord Kerslake reviewed the governance arrangements of the City Council during 2014/15. The recommendations in the report are summarised as follows:</p> <ul style="list-style-type: none"> • Appoint an independent improvement panel and draw up an improvement plan • Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the 	<p>The Council's response is encompassed in the Future Council Programme. The Future Council Programme has six key parts which are referred to in the Independent Improvement Panel June 2015 report. These are:</p> <ul style="list-style-type: none"> • Whole Council – this is the key building block for all of the work programmes and identifies the vision and values for the Council of the future – answering the “what

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>corporate centre and introduce a programme of culture change</p> <ul style="list-style-type: none"> • Move to all out elections and undergo an Electoral Review • Develop a robust financial plan up to 2018/19 • Strengthen the HR function • Establish a new model for devolution • Facilitate the creation of a new independent leadership group • Redefine the council's partnership approach • Complete a combined authority governance review by July 2015 • Creation of a new partnership vehicle focussed on employment and skills <p>The Independent Improvement Panel signed off the council's Year 1 Improvement Plan on 23 March 2015.</p>	<p>are we here for?" and the "how will we change?" questions</p> <ul style="list-style-type: none"> • Council Operating Model – this focuses on developing an approach for how the Council will work in the future and the financial planning to underpin it • Forward the Birmingham Way – this looks at the changes we need to make to the workforce, and how we can work together better, both internally and with our partners • Political Governance - this focuses on the role of elected members in empowering communities and better connecting people to the design and delivery of local services • Partnerships - this creates an outward looking, inclusive approach to the way we operate that concentrates on the best interests of the city and those who live and work here • Integrated Support Services - this ensures that internal support services (e.g. HR, Finance, Performance, Policy etc.) work in an integrated, efficient way that serves the rest of the organisation and our customers and partners <p>A West Midlands Combined Authority Launch Statement was issued on 6 July 2015.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
5	<p>The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services to facilitate the Future Council agenda.</p> <p>This includes the Council created wholly owned company, Acivico into which services such Building Cleaning, Birmingham City Laboratories and Civic Catering have been transferred.</p> <p>Other options may include:</p> <ul style="list-style-type: none"> • The potential transfer of Specialist Care Services to a Mutually Owned Social Enterprise (MOSE) during 2015/16. • Outsourcing of services. • Commissioning services 	<p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases.</p> <p>The business cases are being developed with the full engagement of City Finance, Corporate Procurement, clients and third parties and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer.</p> <p>Services should only transfer when there is a mutual benefit to both the Council and the third party</p>
6	<p>Sir Mike Tomlinson was appointed by the Secretary of state as Education Commissioner to oversee the Council's actions to address the fundamental criticisms in the Kershaw and Clarke reports. Sir Mike Tomlinson's review is on-going, however initial discussions and actions were brokered to ensure a strong future in Education.</p>	<p>Sir Mike Tomlinson's role will continue to 2016.</p> <p>Proposals have been brought forward on the role of the Birmingham Education Partnership (BEP) and how the Council will align with new roles for schools.</p> <p>Action is concentrated on completing the final shape of future partnership arrangements, and setting a commissioning plan showing how resources will be utilised to meet needs.</p>
7	<p>The risk of the Information Commissioners Office (ICO) imposing financial penalties for failure to comply with statutory obligations in responding to information requests under Freedom of Information (FOI) & Data Protection (DPA) legislation, or loss of significant personal or other sensitive data.</p>	<p>Strengthened procedures.</p> <p>All staff to be aware of their responsibilities to manage data effectively and be appropriately trained.</p> <p>Improved response rates to Subject Access Requests (SARs).</p>

- 6.2. These matters are monitored through the Corporate Risk Register, Corporate Management Team 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 Sir Albert Bore
Leader of the Council

Signed
Mark Rogers
Chief Executive
(& Head of Paid Service)

Signed
Jon Warlow
Director of Finance
(& Chief Finance Officer)

Signed
David Tatlow
Director of Legal and Democratic
Services (& Monitoring Officer)