

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Strategic Director – Finance and Legal

Date of Meeting: 21st June 2016

Subject: 2015/16 ANNUAL GOVERNANCE STATEMENT

Wards Affected: All

1. Purpose of Report

The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2015/16 and reports on the Council's internal control regime.

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, which will be included in the 2015/16 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 2016 and March 2017.

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 Future Council's objectives.

7. Recommendations

- 7.1 To approve the Annual Governance Statement, that will be included in the 2015/16 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 2016 and March 2017.

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Annual Governance Statement 2015/16

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 *The Accounts and Audit Regulations 2015*, regulation 6 (1)(b) which requires all relevant bodies to prepare an annual governance statement (AGS).

2. The purpose of the governance framework

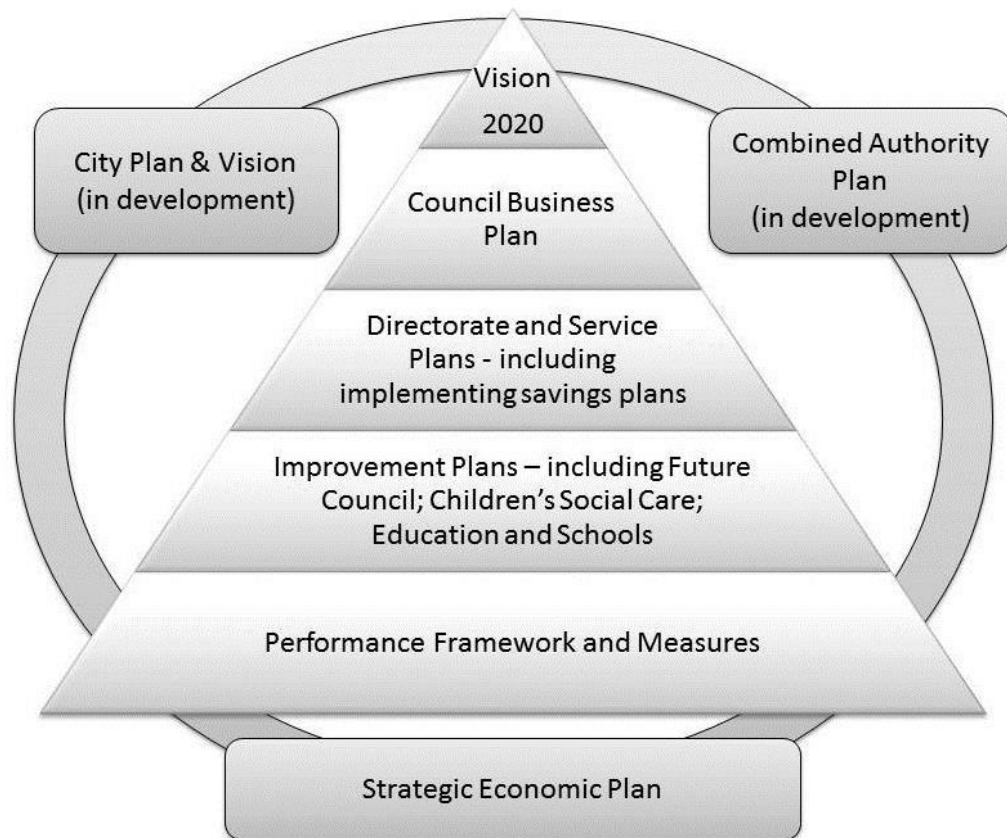
- 2.1. Governance is about the Council ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.2. The governance framework comprises the systems and processes, and culture and values by which the Council is directed 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 2016 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. The Council Business Plan and Summary Budget 2016+ (The Plan) sets out the Council's vision and priorities in terms of the Council's contribution to strategic outcomes. The Plan is updated each year and is available on the Council's web-site.
- 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 the public. 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.
- 3.4. 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 central to the Plan and 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 City Plan and Vision (in development); the Combined Authority Plan (in development) and the Strategic Economic Plan (developed by the local enterprise partnerships in conjunction with the West Midlands Combined Authority). This framework will be the vehicle by which the Council's vision 2020 will be implemented in conjunction with partners. It is set out in the diagram overleaf.



- 3.7. The above diagram shows the high level sequence to achieve the vision 2020, including: creating the Future Council through the Future Council Programme; the implementation of the improvement plans; the directorate/service plans and the performance framework through which the Council will monitor and evaluate.
- 3.8. The vision 2020 is based on the fundamental ideals of prosperity, fairness and democracy, and, within that, to have a strong economy; safety and opportunity for all children; a great future for young people; thriving local communities; a healthy and happy city, and a modern council
- 3.9. Due to the scale of funding reductions required and changing times in which the Council operates, there is recognition of a need for change in how the Council must work if it is to deliver the vision 2020. To address this, the Future Council Programme was set up during 2015 to deliver an integrated and strategic approach to managing the necessary changes. This has taken on board all the recommendations of the Kerslake review of corporate governance (published in December 2014), and the advice and support from the Birmingham Independent Improvement Panel (BIIP) set up in January 2015.
- 3.10. As part of the process for the BIIP to assess the Council’s progress, the Council was asked to undertake its own self-assessment structured on the major themes which underpinned its improvement plan. The ‘gap analysis’ set out what the Council had achieved so far, where further progress was needed, where the Council intended to be in six months’ time, key priorities to

focus on and the risks that the Council needed to be prepared to address. Measures were included which the Council will monitor against. In March 2016, the BIIP reported on the positive progress the Council had made in implementing the recommendations of the Kerslake Report and recommended stepping back from the intensive review process.

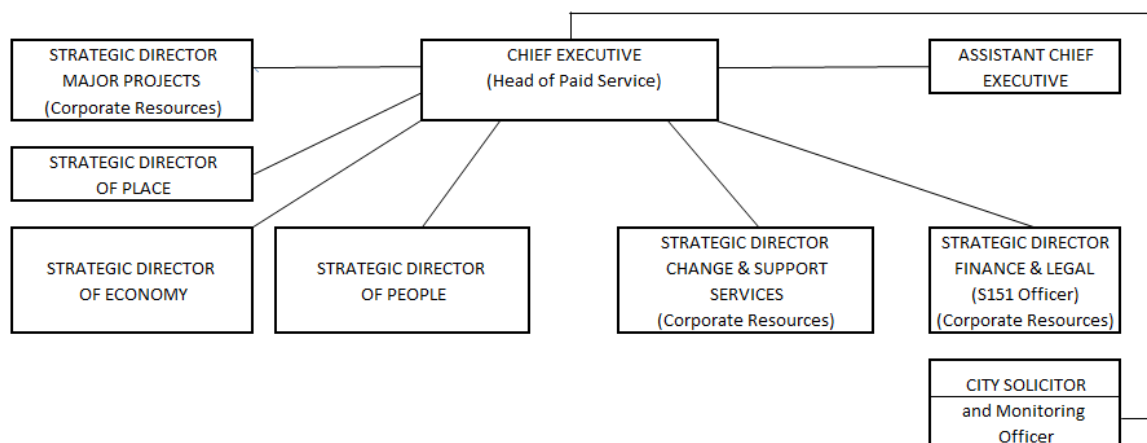
- 3.11. The Council has adopted a new approach by looking at how it can meet the needs of citizens, through providing services directly, and a renewed focus on how it can work with partners to achieve shared aims. The Council's role, with other civic and civil leaders, is to agree the vision for Birmingham and lead the city as a joint enterprise.
- 3.12. The proposals for change are divided into six key themes which aim to better meet citizens' needs, make substantial savings and improve the Council's performance. They are:
- **Prevent family breakdown** - seeking to support disadvantaged families through a range of interventions so their children can thrive.
 - **Maximise the independence of adults** - with Birmingham a city where getting older is a positive experience.
 - **Sustainable neighbourhoods** - creating an environment which is more sustainable, reduces costs and is better for the health and wellbeing of residents.
 - **Economic growth and jobs** - economic development and support for job creation, skills training and sustainable business growth can impact greatly on the prosperity and wellbeing of the city.
 - **Changes to the workforce** - our direct workforce will be smaller reflecting that outcomes and services will be delivered through new models where staff will not necessarily be directly employed by the Council.
 - **Council-wide** - we will continue to work more efficiently, redesigning our services so they are as lean as possible.
- 3.13. Profound change across local government is also underway. New city-regional leadership will be put in place through the West Midlands Combined Authority, with new powers devolved from central government to allow the Council to drive economic growth, investment and the reform of public services. The Council will become more strategic and much smaller. There will be new ways of delivering local services and new ways people can engage in their local community, such as the recently formed 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. 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.

Roles of Members and Officers

- 3.16. The Council's Constitution is codified into one document which is available on the intranet and the Council'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 Monitoring Officer and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution was agreed in May 2015. Further amendments were made during the year with the latest amendments made in March 2016. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.17. The Council operates within four Directorates, Economy, Corporate Resources, People and Place.

Management Structure



- 3.18. In November 2015, Councillor John Clancy was elected as the new Leader of the Labour Party and was formally confirmed as Leader of the Council on 1st December 2015.
- 3.19. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2015/16 financial year: The Leader, Deputy Leader and eight specific Cabinet Member Portfolios based on a thematic structure as follows:

- Cabinet Member – Children’s Services
- Cabinet Member – Commissioning, Contracting and Improvement
- Cabinet Member – Development, Transport and the Economy
- Cabinet Member – Sustainability
- Cabinet Member – Health and Social Care
- Cabinet Member – Neighbourhood Management and Homes
- Cabinet Member – Skills, Learning and Culture
- Cabinet Member – Inclusion and Community Safety.

3.20. On 24th May 2016 it was agreed at City Council that Cabinet would continue with ten members; The Leader and Deputy Leader and eight 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 CBMC has the 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. 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. 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.

3.23. CBMC also discharges the Council’s functions in relation to parishes and parish councils.

3.24. 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.

3.25. 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 - Strategic Director - Finance and Legal
 Monitoring Officer - City Solicitor
 Scrutiny Officer - Head of Scrutiny Services

- 3.26. 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

- 3.27. 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 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 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 Strategic Director - Finance and Legal 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.

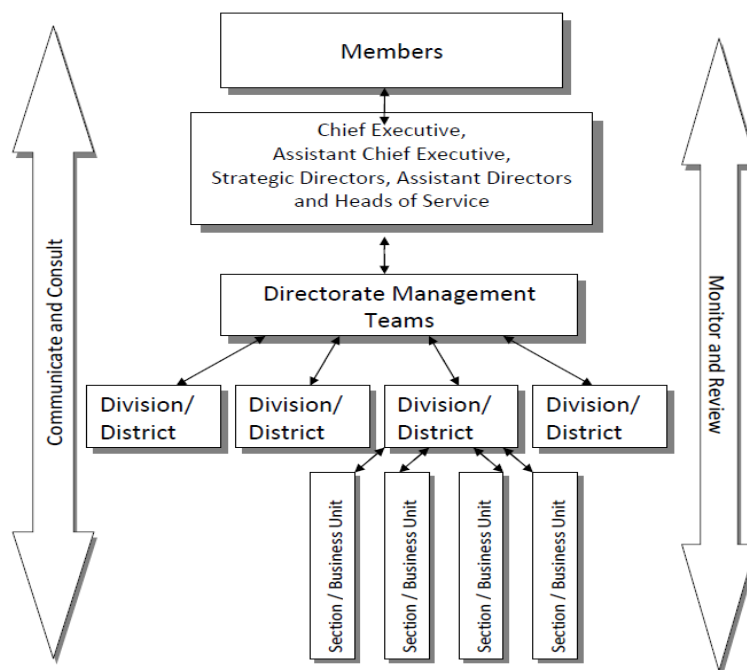
Values and standards of conduct and behaviour

- 3.28. 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. 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

- 3.29. 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.

- 3.30. 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.
- 3.31. 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.
- 3.32. Risk management continues to be embedded within the Council. The diagram overleaf illustrates how risk is managed:



- 3.33. The Risk Management Policy, Strategy and Methodology 2016 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 three times a year to the Audit Committee. Corporate risks are reviewed monthly by the Corporate Leadership Team. In addition business plans at directorate and divisional level include key risks.
- 3.34. 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

- 3.35. 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.
- 3.36. 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. In addition there are number of work streams focused on continued 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.
- 3.37. The Future Council sub programme, Forward: The Birmingham Way is working to provide a framework that will support the workforce to be the right people doing the right things in the right way.
- 3.38. In addition to the Members Development Programme, Councillors have access to e-learning through the Members portal on People Solutions and regularly kept up to date on training and development via the City Councillor bulletin circulated 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.
- 3.39. The members' development programme in 2015/16 was delivered around four 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
<ul style="list-style-type: none"> Understand role and responsibilities, the Council's values & behaviours, define new development offer Managing casework, code of conduct and the constitution Who's who in Birmingham, customer intelligence 	<ul style="list-style-type: none"> Skill development (e.g. running surgeries, media training and dealing with conflict) ; networks and external visits A survey poll of all members for targeted training Community leadership development (i.e. place

and access to IT and council services	shaping, partnership, civic and civil)
<ul style="list-style-type: none"> 1-2-1's 	<ul style="list-style-type: none"> Future roles and responsibilities - progressing to Chair/Vice Chair/Cabinet; how member roles are changing
Scrutiny, District & Deputy Chairs	Member/Officer Relationship
Aim: To develop good community governance with effective and positive scrutiny	Aim: members and officers share understanding about their roles and responsibilities and how they work together
<ul style="list-style-type: none"> Understand the new constitution, roles and responsibilities and what it means in practice 	Member & Officers – redefined roles & expectations, supported by development programme
<ul style="list-style-type: none"> Future District Delivering Differently programme overview and how to implement locally 	<ul style="list-style-type: none"> Underpinning behavioural standards, the new constitution and community governance with outward place focus
<ul style="list-style-type: none"> Joint session with Scrutiny and District Chairs/Vice Chairs on new ways of working together 	

- 3.40. During 2015/16, the 'My Appraisal' review process for all staff was introduced. 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

- 3.41. 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 2016+ consultation process included public meetings led by the Council's Leader and Cabinet, consultation via online webcast question and answer sessions with Cabinet Members, consultation via post, mail, text and through the City's website, consultation with business representatives, young people and focus groups from Birmingham's People's panel and meetings with staff and Trade Unions.
- 3.42. 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.
- 3.43. 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 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, Birmingham's Independent Improvement Panel 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 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. During 2015/16 a fundamental review to both strengthen and streamline the process was undertaken. 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 Strategic Director of Finance and Legal 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 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. 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 2015/16 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 2015/16**' 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 Corporate Resources Overview and Scrutiny Committee received reports on key control issues throughout 2015/16 including budgetary monitoring, risk issues including responding fully to the Kerslake Review recommendations and implementing the Future Council Programme and direct reports from The 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 Monitoring Officer advises that there were 136 whistleblowing complaints in the 2015/16 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 is reviewed and investigated where appropriate.

5. **Review of 2014/15 governance issues**

- 5.1. During 2015/16, the significant 2014/15 governance issues were considered by Audit Committee in June, with updates in November 2015 and March 2016. In addition, this Committee received reports relating to the Corporate Risk Register, Final Accounts, Financial Resilience 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 originally 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. 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 2016/17 and beyond.
6. **Significant governance issues 2015/16**
- 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 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>	<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 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>

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.</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 sixth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.</p>	<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>
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 the 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>From the review of governance arrangements made by Lord Kerslake and following the BIIP's review, work on the Future Council Programme continues. This includes:</p> <ul style="list-style-type: none"> • 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- 	<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. • Deliver the actions set out in the Organisation Improvement Plan, developed in response to the Kerslake review and BIIP.

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>making, service delivery, governance and roles and responsibilities; and</p> <ul style="list-style-type: none"> • Sufficient senior leadership capacity to transform the organisation and deliver sustainable change. 	
5	<p>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.</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 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 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>
6	<p>The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>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.</p>	<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, positive local relationships with the trades unions and their understanding of the challenges will contribute to mitigating and managing this.</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
Mark Rogers
Chief Executive
(& Head of Paid Service)

Signed
Jon Warlow
Strategic Director - Finance and Legal
(& Chief Finance Officer)

Signed
Stuart Evans
Interim City Solicitor
(& Monitoring Officer)