

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Corporate Director – Finance & Governance

Date of Meeting: 19 June 2018

Subject: 2017/18 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 2017/18 and reports on the Council's internal control regime.
- 1.2. 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 that will be included in the 2017/18 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 One of the requirements for the Annual Governance Statement (AGS) is that it should reflect the governance arrangements for the financial year to which it relates, up to the date of approval of the Statement of Accounts.
- 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 meeting on 30 July.
- 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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Annual Governance Statement 2017/18

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. The Council as a whole is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.
- 2.2. Good governance for the Council is ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner and the Council seeks to achieve its objectives while acting in the public interest at all times.
- 2.3. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.
- 2.4. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the

impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.5. The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. **The governance framework**

- 3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The Council's vision and priorities for Birmingham

- 3.2. The Council has been on a journey to redefine its vision and purpose in serving the people of Birmingham. Creating a Council of the Future will drive the necessary change to deliver a new Council role and relationship with the City, its citizens and its partners.
- 3.3. The Council's vision for the future of Birmingham is for a city of growth, in which every child, citizen and place matters and to support this, the Council has set itself four clear priorities:
- 3.3.1. **Children – a great city to grow up in.** To make the best of the city's unique demography and create a safe and secure city for children to learn and grow.
- 3.3.2. **Housing – a great city to live in.** To provide housing in a range of types and tenures, to meet the housing needs of all current and future citizens of the city.
- 3.3.3. **Jobs and Skills – a great city to succeed in.** Birmingham will be renowned as an enterprising, innovative and green city.
- 3.3.4. **Health – a great place to grow old in.** To help people become healthier, especially relating to physical activity and mental wellbeing.
- 3.4. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Vision and Priorities 2017-2020 Plan (the Plan). The Plan was updated in 2017/18 and is available on the Council's website.
- 3.5. The Plan articulates the strategic direction for the Council with a clear set of corporate priorities. These priorities have been informed by extensive consultation with Cabinet Members and Members from opposition groups.
- 3.6. The Council's Delivery Plan published in September 2017, sets out by each corporate priority the key actions, how progress is tracked and measured, deadlines and identification of the lead officer. 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.
- 3.7. In turn, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed.

- 3.8. Ultimately, the Council's role will change. No longer can it see itself as simply delivering services across the City, it must now be a place-shaper and commissioner and work with partners, communities and individuals to deliver outcomes. As a result the Council of the Future will be smaller and more strategic, partnership based, more about people and better at managing demand.
- 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 part of the Council's long term financial strategy.
- 3.10. The Financial Plan 2017+ was developed to align with the Council's Delivery Plan. The Council continues to face significant funding reductions and challenges in achieving its budget plans, outlined in the Council Plan and Budget 2018+.
- 3.11. A robust system to monitor the achievement of savings proposals and scrutiny by Council Management Team (CMT), Budget Board and Cabinet is in place and regularly undertook actions throughout the financial year to control spend. Where pressures were identified, Corporate Directors were asked to find alternative solutions and actions to contain spending within cash limits. Even so, pressures at the year-end remain.
- 3.12. Following the financial experiences over the last two years, highlighted by both the Birmingham Independent Improvement Panel (BIIP) and through a Statutory Recommendation under Section 24 of the Local Audit and Accountability Act 2014, made by the external auditors for the 2016/17 Statutory Accounts, the extent of savings delivery risk is clearly recognised along with the potential impacts of unidentified pressures and other changes as the Council looks forward. In response, the Council ensures that there are robust financial arrangements in place, recognising that it cannot continue to use reserves to balance the budget in the way that it has in the past. Nevertheless, it will continue to hold reserves as a contingency funding in case of savings delivery difficulties.
- 3.13. The Council's workforce has experienced many changes and challenges as the workforce is modernised. From transforming the customer service function and developing a Citizen Access Strategy to facing some of the challenges driven by being a large employer such as equal pay cases and reviews of terms and conditions, it is recognised the workforce has been facing change over the last 10 years
- 3.14. External reviews, including the '*Kerslake Review*', highlighted many areas for improvement – much of which the Council already knew about itself – including the lack of a corporate strategic picture and therefore workforce reductions which were not focused in terms of delivering savings.
- 3.15. As the vision for the future priorities is now clearer, the workforce and employment model needs to be reshaped to ensure that the Council is fit for that future through the Council's People Strategy. People who have the right behaviours and skills for the future need to be retained and nurtured, whilst

acknowledging that the workforce will be significantly smaller, needing a different focus and capabilities. It will be a challenge to bring the workforce on this journey and to re-engage individuals and teams in a positive future.

- 3.16. 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).
- 3.17. The Council has a strong public, third sector, and business engagement role. A new Community Cohesion Strategy is being developed and there is an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.18. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and supported by the West Midlands' Devolution Deal 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.
- 3.19. Change across local government continues. A Mayor was elected on 6 May 2017 to head the West Midlands Combined Authority (WMCA). The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield.
- 3.20. The Group Company Governance Committee, a Cabinet sub-committee, works to improve the level of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest.
- 3.21. In May 2016, the Council announced its intention to move towards a Children's Trust. The Trust is a wholly owned company of the Council and works in close partnership to continue to improve outcomes for disadvantaged children and young people in the City. In April 2018, the Children's Trust became operationally independent of the Council as part of an ongoing process of improvement.
- 3.22. The Council's Constitution which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on Council's website. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.23. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2017/18 financial year: the

Leader, Deputy Leader and eight other Cabinet Members with the following portfolios:

- Cabinet Member – Children, Families and Schools;
- Cabinet Member – Commercialism, Commissioning and Contract Management;
- 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 – Community Safety and Equalities.

3.24. For the 2018/19 financial year, the Cabinet structure includes:

- The Leader
- Deputy Leader
- Cabinet Member – Children’s Wellbeing;
- Cabinet Member – Clean Streets, Waste and Recycling;
- Cabinet Member – Health and Social Care;
- Cabinet Member – Homes and Neighbourhoods;
- Cabinet Member – Finance and Resources;
- Cabinet Member – Social Inclusion, Community Safety and Equalities;
- Cabinet Member – Transportation and Environment;
- Cabinet Member – Education, Skills and Culture.

3.25. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.

3.26. 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.

3.27. 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.

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

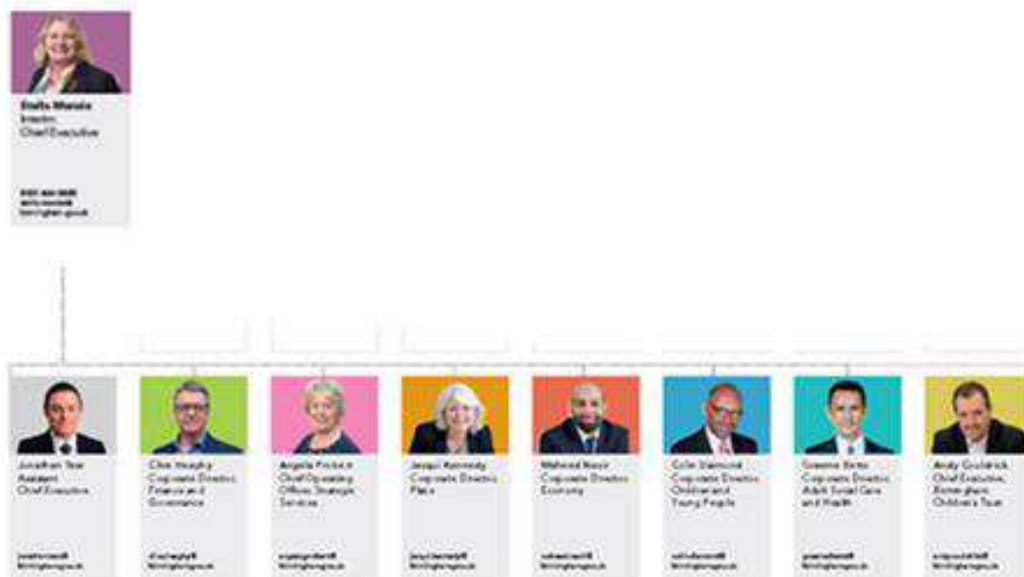
3.29. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts and to review and make recommendations to the executive regarding the effectiveness of internal audit on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

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

- 3.30. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.31. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.
- 3.32. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

Management Structure

- 3.33. During 2017/18, the Council operated within six Directorates, Adult Services, Children and Young People, Economy, Finance and Governance, Place and Strategic Services.
- 3.34. The Council's management structure as at 31 March 2018 was as per the diagram below:



- 3.35. During the year, the following key changes occurred
- Stella Manzie was appointed as Interim Chief Executive 4 April 2017 and served through to 31 March 2018. Dawn Baxendale who was appointed as permanent Chief Executive started with the Council on 1 April 2018.

- The Interim Chief Finance Officer, Mike O'Donnell left the Council at the end of December 2017 and Clive Heaphy joined as Corporate Director - Finance & Governance on 3 January 2018.
- The previous Assistant Chief Executive, Piali DasGupta, left the Council at the end of June 2017 with the Jonathan Tew commencing on 2 January 2018.
- The Strategic Director – Major Projects and Programmes left the Council at the end of July 2017.
- The appointment of Andy Couldrick as Chief Executive of the Children's Trust was announced in May 2017 and Andy formally took over his role following the transfer of operation responsibility from the Council to the Trust on 1 April 2018.

Financial Management Arrangements

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

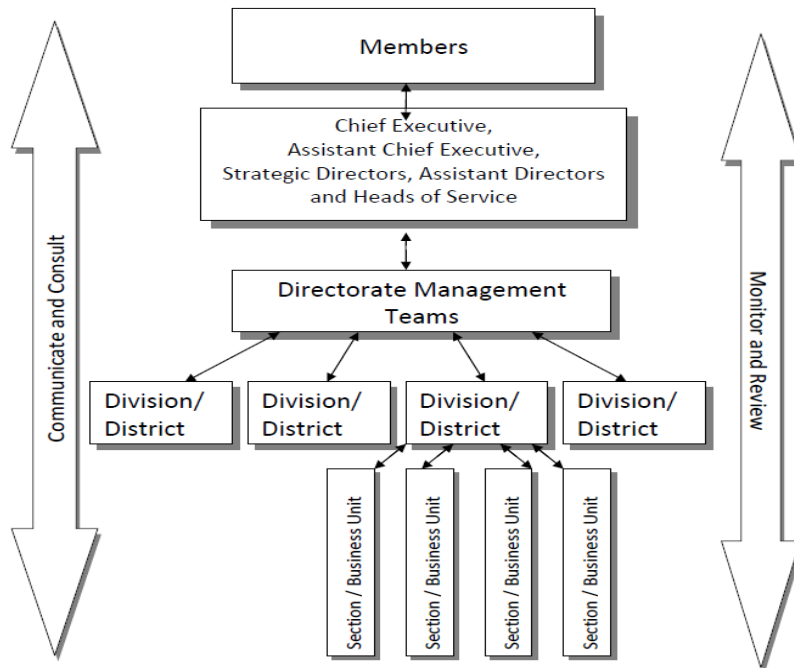
- A key member of CMT, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy;
- Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

Scrutiny, Accountability and Risk Management

- 3.37. 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.
- 3.38. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.
- 3.39. 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.

- 3.40. Risk management continues to be embedded within the Council. The schematic diagram below illustrates how risk was managed during 2017/18:



- 3.41. The Risk Management Policy Statement, Strategy and Toolkit are on the Council's website, and advice and support is provided as requested. Updated information regarding the management of the risks within the Council's Corporate Risk Register continues to be reported to the Audit Committee three times per year. CMT identifies new risks to the Council, and the draft Corporate Risk Register update is reported to it the month before it goes to the Audit Committee. CMT 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.
- 3.42. Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's systems. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery.
- 3.43. The Council has a strong Internal Audit function and well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Birmingham Independent Improvement Panel (BIIP)

- 3.44. Following Lord Kerslake's review of the Council's corporate governance (published in December 2014), the Birmingham Independent Improvement Panel (BIIP) was set up in January 2015. The Council and BIIP have worked closely together from this time.
- 3.45. During August and September, the Council faced an industrial dispute over the reorganisation of its waste management operations. In the course of the dispute, questions arose about the conduct of the Leader of the Council and whether the Council's constitution and Member Code of Conduct had been breached. On the 11th September the Leader of the Council resigned his position and the Deputy Leader became Interim Leader of the Council until a new Leader was elected.
- 3.46. In a letter to the Secretary of State for Communities and Local Government in September, the BIIP stated it was disappointed in this set back as at the heart of the Kerslake Review was a question of the Council's culture. It recommended, in consultation with the Interim Leader and the Interim Chief Executive, that the BIIP should remain in place, providing advice and support to the Council through a period of significant transition and until it can demonstrate that the changes in culture and governance still required are truly embedded. The Interim Leader of the Council was elected Leader in autumn 2017 along with a new Deputy Leader.
- 3.47. In March 2018, the BIIP acknowledged that *"along with the election of the Council Leader and Deputy Leader, permanent appointments had been made to Chief Executive, Assistant Chief Executive and Corporate Director of Finance and Governance. These significant leadership changes were taking place in the context of the Children's Trust being established, the Council experiencing all-out elections in May 2018 and that Birmingham had been announced as the host City for the Commonwealth Games 2022."*
- 3.48. The letter further went on to say that

"Significant changes are continuing to take place in Birmingham. These are set to bring fresh opportunities and some new challenges in the years ahead." The letter went on to say that *"in the light of these changes and context, the Council and the Panel have reviewed our position and propose moving to a more collaborative approach. This joint letter from the Panel and the Council reflects this change."*

With support and advice from the Panel, the Council intends to publish a suite of improvement plans. Progress on delivering all of the plans and the impact of the changes they bring about will be rigorously tracked and evaluated.

The Council also recognises that it has not yet brought its day to day expenditure into line with its revenue. Balancing its revenue budget has therefore required, and continues to require, substantial draw down of the Council's reserves. This position is not sustainable and high quality strategic financial management and difficult decisions will be required to achieve financial sustainability.

We understand that if more collaborative working as proposed is to be successful, this will require all elected members and officers of the Council and the Panel to demonstrate high levels of transparency and self-awareness in evaluation and reporting.”

Member Development

- 3.49. 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.
- 3.50. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council services or services provided by partner organisations
- 3.51. The Members’ Development Programme 2017/18 was delivered around three areas as outlined in the table below:

New Member Induction	Role Specific Training	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: ensuring members have the knowledge and understanding of legal and governance requirements to carry out role on regulatory and scrutiny committees.	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.	Planning, Licensing and Scrutiny training provided to support members.	Skill development (e.g. mental health, first aid); networks and external courses.
Code of conduct and the constitution.		On-going transformation (e.g. Children’s Trust, apprenticeships, homelessness, universal credit).
Who’s who in Birmingham, customer intelligence and access to IT and council services.		Community leadership including local leadership, tools for ward working).

Workforce

- 3.52. Having a flexible, skilled and mobile workforce is critical to the Council effectively responding to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. Financial reductions facing the Council are impacting significantly on the

Council's ability to recruit and retain the talent needed to ensure workforce capacity.

- 3.53. During 2017/18, the 'My Appraisal' review process was embedded. 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

- 3.54. The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Plan and Budget 2018+ consultation process included public meetings led by the Council's Leader and Cabinet, an online Be Heard survey, an online communications campaign including webpages, news feeds Facebook and Twitter, consultation via post and email, and consultation with the business community and the Chamber of Commerce.
- 3.55. 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.
- 3.56. The Customer Service transformation 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 CMT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors, responding to the BIIP reports and other review agencies and inspectorates.
- 4.2. The Council 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 Corporate Director – Finance & Governance 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 2017/18 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: **"Based on the audit work undertaken I am able to provide a reasonable assurance on the core systems of internal controls evaluated."** In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found

that would materially affect the Council's standing or Annual Accounts. As in any large organisation, Internal Audit did identify some significant issues that required action. All significant issues were reported to the appropriate Corporate Director during the year.

- 4.9. Whilst this assurance is limited by the overall improvement that still needs to be delivered and adverse value for money opinion issued by the Council's External Auditors, the Improvement Panel, in its latest letter to the Secretary of State, recognises that significant changes are taking place, including strengthening of the Council Management Team; establishment of the Children's Trust; the Council's first all-out elections; and progress against priorities. These changes are now moving the Council forward on a positive basis.
- 4.10. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CMT. The more significant of these are set out in the section entitled '**Significant governance issues 2017/18**' below.
- 4.11. The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee reviews management progress in implementing recommendations made in significant, high risk audit reports and against issues raised in the AGS through the Corporate Risk Register
- 4.12. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2017/18 including an integrated assessment of Health and Social Care on delayed transfer of care, corporate parenting and the Sustainability and Transformation Partnership.
- 4.13. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CMT, the Deputy Leader and Cabinet. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.14. The Monitoring Officer advises that there were 93 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2017/18 financial year.

5. **Review of 2016/17 governance issues**

- 5.1. The significant 2016/17 governance issues were considered by Audit Committee in June 2017, agreed as part of the Statement of Accounts in September 2017 and reviewed as part of the Corporate Risk Register updates in the 2017/18 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud and the Local Government Ombudsman Annual Review.
- 5.2. Children's Safeguarding issues were considered by Cabinet and the Schools, Children and Families O&S Scrutiny Committee. This O&S Committee also considered issues such as the Children's Trust, the Education and Children's Social Care Improvement Journey, child poverty and children missing from home or care.

- 5.3. 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. From March 2018, the Council and the BIIP are moving to a more collaborative approach.

6. **Significant governance issues 2017/18**

- 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 2018/19 and future years.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	<p>The Council has launched an Improvement Plan and new 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. This will be part of the framework for the Children's Trust.</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>Proactive actions are in place to plan and monitor the delivery of the savings programme including the delivery of workforce savings. These include further assurances on the deliverability</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<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 2017/18 and the potential impact on future years' savings plans.</p> <p>Given the Council is in the eighth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it, remains high.</p>	<p>and impacts of proposals and a commitment from the Leader to future budgeting.</p> <p>Governance processes have been reviewed and significantly enhanced to improve the production of implementation plans and monitoring of the most significant savings proposals at the highest level.</p>
3	<p>Major Projects</p> <p>The Council is involved in a range of major projects which include partnership working arrangements and sometimes complex legal agreements for example:</p> <ul style="list-style-type: none"> • Working with neighbouring authorities in the West Midlands Combined Authority • Strengthening partnership working as Birmingham works towards hosting the Commonwealth Games 2022. • Working with private sector partners on major developments in the City such as Paradise. • Children's Services Trust. 	<p>The partnership with neighbouring authorities through the West Midlands Combined Authority continues to develop. The next stages are vital as devolution is implemented, making sure that work leads to permanent benefits for the region.</p> <p>The Council is reviewing the way it works with its partners - working equally to a common shared purpose.</p> <p>Children's Services have moved to a Trust arrangement from April 2018. A clearly defined relationship between the Trust and the Council has been established based on service contracts. The contracts will be monitored throughout the year.</p> <p>In the light of weaknesses identified in the Council's role as accountable body for the LEP, a joint protocol is being developed to define relationships more formally so that there is greater clarity of role.</p> <p>Strengthening and tightening capital</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		<p>financial controls. Closely monitoring expenditure on major projects to ensure projects are achieved on time and within budget.</p> <p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases and shadow working arrangements.</p>
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>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. 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. The Council continues to monitor and manage the situation closely.</p>
5	<p>The Improvement Agenda</p> <p>The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>Review of services and associated budgets as the Council moves towards the Council of the Future will require significant and substantial changes to the way services are provided, both internally and when working with other service providers.</p>	<p>A People Strategy has been designed to reshape the workforce and employment model to ensure the Council is fit for the future.</p> <p>In the forthcoming year the significant planned budget reductions will increase pressure on services, which will need to be re-shaped and adopt more efficient ways of working to mitigate and manage this.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
6	<p>Safety Implications for Tower Blocks</p> <p>Impact of Grenfell Tower and subsequent implications for improving safety in tower blocks.</p>	<p>A project plan has been produced for all programmes of works required to investigate cladding systems and any associated remedial works to further enhance existing fire safety measures. This includes :</p> <ul style="list-style-type: none"> • A programme to fit sprinkler systems to 213 high rise blocks over a 3 year period starting 1/4/18. • A programme to carry out fire risk assessments to all communal areas annually.
7	<p>Homeless Reduction Act</p> <p>Implementation of the Homeless Reduction Act is a significant risk for the local authority due to an increase in demand that will be placed on the service.</p> <p>New burdens funding of £1.75m to be received over 3 years to implement the Homelessness Reduction Act.</p> <p>The demand on the service continues to be significant and the Council has over 2,000 households in temporary accommodation with a large number of individuals/families in Bed and Breakfast accommodation outside of the City.</p>	<p>An implementation plan has been developed to ensure compliance with the new legislation which comes into force on 3.4.2018. The plan includes a number of work streams:</p> <ul style="list-style-type: none"> • Redesign the Housing Option Service • Awareness and training (staff, Trade Unions and elected members) • IT systems to be developed with the Council's IT fixture providers • Accommodation, additional accommodation for staff, communication plan being produced. • Temporary Accommodation Services will require a complete review to reduce the Council's reliance on temporary accommodation moving to preventative measures.

6.2. These matters are monitored through the Corporate Risk Register, CMT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.

- 6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
Councillor Ian Ward
Leader of the Council

Signed
Dawn Baxendale
Chief Executive
(& Head of Paid Service)

Signed
Clive Heaphy
Corporate Director -
Finance & Governance
(Chief Finance Officer & Section 151
Officer)

Signed
Kate Charlton
City Solicitor
(& Monitoring Officer)