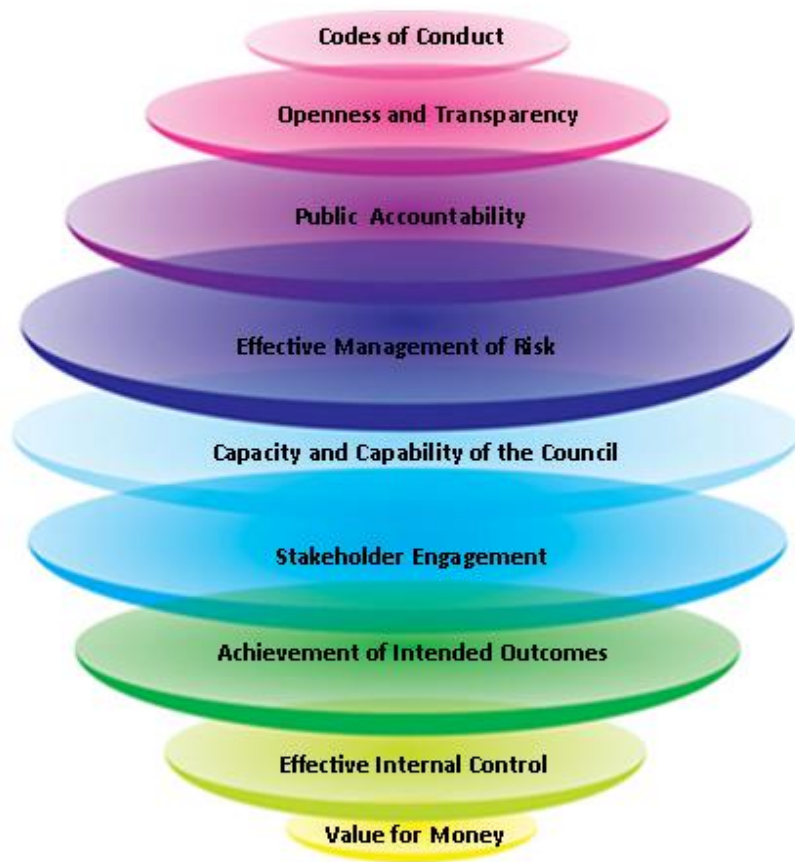


Annual Governance Statement 2016/17



Scope of Responsibility

Sandwell Metropolitan Borough 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 best value 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.

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, which includes arrangements for the management of risk.

The council has a [Code of Corporate Governance](#), which is being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new principles have been adopted in this statement. A copy of the current code has been placed on the council's website at www.sandwell.gov.uk or can be obtained from the council offices, Sandwell Council House, Freeth Street, Oldbury, B69 3DE. This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement to accompany the statement of accounts.

The Purpose of the Governance Framework

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 the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Risk management and internal control are a significant part of the council's corporate governance framework and are designed to manage risk to a reasonable level. They 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 systems of risk management and internal control are based on an ongoing 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.

The governance framework has been in place at the council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The council has Great People, Great Place, Great Prospects and Great Performance as its key priorities, which are underpinned by the governance environment. This environment is consistent with the seven core principles of the CIPFA/ SOLACE framework. The key elements of the systems and processes that comprise the council's governance framework (as detailed in the Code of Corporate Governance) and where assurance against these is required are described below.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received	Issues Identified
<ul style="list-style-type: none"> • Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> • Annual review of the Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Sandwell scorecard and business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk register and assurance map • Scrutiny arrangement • Codes of conduct • Partnership framework • Standards committee • Audit Committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC) • Children's Services Commissioner • HR Strategy • Business planning and performance management framework • Learning and development plans • Communication strategy • Confidential reporting code (whistleblowing policy) • Counter fraud and corruption strategy • Customer services system • Information governance framework • Management Board and directors' assurance statements • Cabinet Members' assurance statements • Procurement and contract procedure rules and Financial Regulations • Committee management information systems • Select Committee for Leisure Provision • Governance Board 	<ul style="list-style-type: none"> • Statement of accounts • External audit- Report to those charged with governance (ISA 260) report • Annual Internal Audit report • Audit and Risk Assurance Committee annual report • Review of the effectiveness of internal audit • Annual report of the Standards Committee • Ofsted – monitoring visits • Quarterly progress reports from Children's Services Commissioner to DfE • LGA Peer review of SSCB • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual fraud report • Director of Public Health annual report • Sandwell Safeguarding Children's Board annual report • Sandwell Safeguarding Adult's Board annual report • Scrutiny annual report • PSN certification • Investors in People • Employee engagement survey • Members' and Directors' Assurance statements • SIMALTO • Planning committee report • Corporate Parenting Board annual report • Licensing committee report • Clinical Commissioning Group annual report • Sandwell Leisure Trust annual performance report • Gowling WLG report- April 2016 • Queen's Counsel opinion- Project Osprey 9 May 2016 	<ul style="list-style-type: none"> • Children's Services • Children's Trust • Resilience of the Medium Term Financial Strategy • Land Sales and Other Matters • Compliance with Contract Procedure Rules and Allocation of Grants • Business Continuity

In reviewing the council's priorities and its implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key changes to the governance framework during 2016/17 include:

- Changes to the Cabinet and portfolio responsibilities, with an increase from eight to ten members.
- The scrutiny model adopted for 2016/17 built on the structure used in previous years and recognises the need for robust scrutiny arrangements to be in place given the political make-up of the council, and the need for challenge and oversight of executive decision making.
- There has been an increased turnover in senior management arrangements during the year and the appointment of a number of interim directors. A recruitment process has resulted in permanent appointments being made at director level.
- Cabinet approved that consent be given for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2017 to be laid before Parliament.
- The continuation of the jobs promise and planned leavers register to prevent the need for redundancies and to assist in controlling the establishment list in a structured and supportive way.
- The appointment of the Children's Services Commissioner and the associated governance arrangements in place with the Commissioner's Monitoring Board, Trust Implementation Board and Trust Project Board.
- The agreement of the Memorandum of Understanding between the Children's Services Commissioner, the council and the Secretary of State for the establishment of the Children's Trust.
- Establishment of the Select Committee for Leisure Provision to consider the current and future leisure provision in Sandwell.
- Establishment of a Select Committee for Policy Review.
- Establishment of a Modern Day Slavery Working Group.
- Establishment of a Governance Board to review governance arrangements and to monitor agreed arrangements, in order to provide assurance to stakeholders that good governance exists as part of a 'business as usual' approach across all areas of the council.
- The completion of assurance statements by all Cabinet Members.

The Review of Effectiveness

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 Members and senior officers within the council who have responsibility for the development and maintenance of the governance framework; Internal Audit's annual report; the Audit and Risk Assurance Committee; the Standards Committee; the Scrutiny function and reports made by the council's external auditors and other review agencies and inspectorates, as noted above, all of which are publicly available through the council's website and include:

- Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the council is able to confirm that the arrangements conform to these requirements. The council is also able to confirm no key non-compliances with the Public Sector Internal Audit Standards.
- Internal Audit has concluded that based on the work undertaken during the year, on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes. However, this opinion was accompanied by a strong statement highlighting the need for the council to address the issues identified during the year around the non-compliance with contract procedure rules within certain service areas, and the governance, including approval, allocation and the monitoring of the allocation of council grants. Key areas of weakness have been included within the governance issues noted below.
- The council's external auditors KPMG LLP have audited the Statement of Accounts for 2016/17 and will provide an independent audit opinion of the financial statements. The external auditors will also provide a value for money conclusion on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources in August 2017.

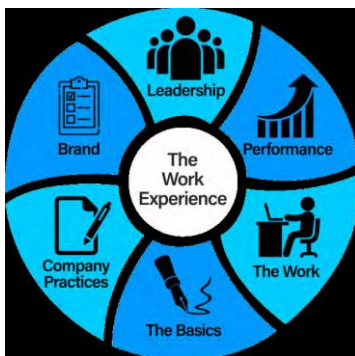


- The council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The statement sets out five principles which define the core activities and behaviours that belong to the role of the Chief Financial Officer and the organisational arrangements needed to support them. The council is able to confirm that its financial management arrangements do conform. The Chief Financial Officer has been involved in preparing this statement and is satisfied that no matters of significance have been omitted from this statement.

- The council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Code is based on five principles and having considered these, the council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.



- In October 2016, the council was advised of the Government's Statutory Direction (under section 479A of the Education Act 1996) to appoint a Children's Services Commissioner to improve children's social care services and also to set up a new arrangement in the form of a children's trust to deliver children's social care services for a period of time. The Statutory Direction sets out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State). This included arrangements for establishing a Trust to deliver children's social care services and was signed by the council and the Commissioner in February 2017. A project is currently underway to progress this. The Sandwell Children's Social Care Trust was incorporated on 15 February 2017 as a company limited by guarantee, with a view to transferring social care functions to the Trust during 2017/18.
- To drive improvement within Children's Services, an improvement agenda has been established which focusses on seven key priorities identified by the Commissioner. In the most recent quarterly report of the Children's Services Commissioner to the Minister for Vulnerable Children and Families, the Commissioner has noted the positive progress the council has made in improving children's services. In addition, the Director of Children and Families and the Director of Children's Services left the council in February and April 2017 respectively, and interim appointments have subsequently been made to both posts. The Commissioner has also reported positively on the progress made by the changes in senior leadership and the renewed commitment by elected members.



- In November 2016, the council conducted an employee engagement survey to understand how employees felt about their jobs and working for the council. The survey achieved a 61% response rate, which is above the average public sector benchmark of 60%, and achieved an employee engagement index of 64% (average public sector benchmark is 61%).

We have been informed by the sources noted above, on the result and implications of the review of effectiveness of the governance framework, that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework. The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2015/16 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness is included below. Where sufficient progress has not been made, the issues and outstanding actions have been carried forward and included in the 2016/17 issues.

Progress of the Governance Issues from 2015/16

The table below describes the governance issues identified during 2015/16 (which were reported in the 2015/16 annual governance statement) and the progress that has been made against the implementation of actions to address these issues, during 2016/17.

Key Area for Improvement	Update on Position and Implication for the 2016/17 Annual Governance Statement
<p>Children’s Services</p> <p>The Ofsted inspection in 2015 provided an overall judgement that children’s services were inadequate. The Secretary of State appointed Eleanor Brazil as Commissioner for Children’s Services in Sandwell. The Commissioner provided a report to the Secretary of State and the council was in dialogue with the Department for Education (DfE) about the range of options for the future delivery of Children’s Social Care services.</p>	<p>Following the dialogue between the then Commissioner and the DfE, at its meeting on 19 October 2016, Cabinet was advised of the Government’s Statutory Direction (under section 479A of the Education Act 1996) to set up a new arrangement in the form of a children’s trust to deliver children’s social care services for a period of time.</p> <p>The Statutory Direction sets out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State). This included arrangements for establishing a Trust to deliver children’s social care services.</p> <p>The MoU, based on TUPE, was agreed by the council, the Commissioner and the Secretary of State on 21 February 2017.</p> <p>A project is underway to progress the Trust. The Sandwell Children’s Social Care Trust was incorporated on 15 February 2017 as a company limited by guarantee, with a view to transferring social care functions to the Trust during 2017/18</p> <p>With regard to children’s services, an improvement agenda has been established which focusses on the seven key priorities identified by the Commissioner. In the most recent quarterly report of the Children’s Services Commissioner to the Minister for Vulnerable Children and Families, the Commissioner has noted the positive progress the council has made in improving children’s services.</p> <p>The Service Director of Children and Families and the Director of Children’s Services left the council in January and February 2017, and interim appointments have been made to both posts.</p> <p>Carry forward</p>
<p>Resilience of the Medium Term Financial Strategy (MTFS)</p> <p>In order to achieve a balanced budget over the four year settlement funding period, there is a significant reliance upon the Facing the Future programme to identify transformational change projects which deliver the necessary savings through to 2019/20.</p>	<p>The Government announced a provisional funding settlement for 2017/18 on 15 December 2016. The implications of this provisional settlement and other policy announcements were detailed in a pre-budget report to Council in January 2017. The final funding financial settlement was received on 20 February 2017 and was reflected in the updated MTFS which was approved by Council in March 2017.</p> <p>Carry forward</p>

Key Area for Improvement	Update on Position and Implication for the 2016/17 Annual Governance Statement
<p>Business Continuity Planning</p> <p>To ensure that the council has in place a framework for its business continuity planning arrangements, to ensure that it has the ability to maintain the delivery of critical services in the event of an emergency.</p>	<p>The Resilience Unit has a complete position of where service areas are with regards to their business continuity. In order to assist the services and monitor the planning process, the Resilience Unit have a position statement and use this document to actively approach Service Area Leads and to update Directors on progress on a six monthly basis. A most recent update report shows that there were number of service areas throughout the council which had not yet produced or finalised the business continuity plan.</p> <p>Carry forward</p>
<p>Land Sales and Other Matters</p> <p>The Gowling WLG report and QC advice identified a number of issues. These related to the council's risk, governance, internal control environment and member and officer conduct.</p>	<p>The council has introduced a new Land Sales and Building Protocol strengthening the steps that are to be carried out in all future land and building sales undertaken by the council. The protocol was approved by the Audit and Risk Assurance Audit Committee (previously the Audit Committee) on 18 August 2016, Cabinet on 21 September 2016 and the Council on 18 October 2016.</p> <p>The Audit and Risk Assurance Committee also considered the risk, governance and internal control matters arising from the report at each of the 2016 and 2017 meetings. The Committee also has responsibility to monitor progress in the implementation of all agreed recommendations through the consideration of a regular progress report/action plan.</p> <p>The matters relating to member conduct are on-going and will be dealt with separately by the Standards Committee.</p> <p>Carry forward</p>
<p>Combined Authority</p> <p>The West Midlands Combined Authority (WMCA) was formally and legally established in June 2016. Work continues towards implementing the devolution agreement.</p>	<p>Council, at its extraordinary meeting held on 14 June 2016, gave consent to the draft West Midlands Combined Authority (Election of Mayor) Order which provides for the election of a directly elected Mayor for the West Midlands metropolitan area.</p> <p>The Order was subsequently made by Parliament on 15th September 2016. Council also approved the draft Mayoral West Midlands Combined Authority Functions Scheme and its publication under section 112 of the Local Democracy, Economic Development and Construction Act 2009 (as amended).</p> <p>The Chief Executive was authorised to agree the final arrangements for public consultation on the proposals in the Mayoral WMCA Functions Scheme, on behalf of the council. It is this Scheme that provides the basis and underlying principles for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2016.</p> <p>At the meeting on 6 December 2016, the views of the Council were sought on the West Midlands Combined Authority (Functions and Amendment) Order 2016 and forwarded to the Cabinet to assist in the consideration of the matter at its meeting on 7 December 2016.</p>

Key Area for Improvement	Update on Position and Implication for the 2016/17 Annual Governance Statement
	<p>The Cabinet subsequently deferred consideration of the matter pending the final Mayoral Order being made available for consideration by the Cabinet. At its meeting held 1 March 2017, Cabinet approved that consent be given for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2017 to be laid before Parliament.</p> <p>Complete</p>
<p>Sandwell Leisure Trust (SLT) Sandwell Leisure Trust (SLT) is commissioned to operate leisure facilities through a Management and Funding Agreement, incorporating a rolling three year business plan, approved on an annual basis. In March 2016, following Cabinet approval, the council notified the Trust that it was unable to agree the plan for 2016/17 onwards.</p>	<p>In accordance with the resolution of the Cabinet at its meeting on 9 March 2016, the Leisure, Culture and Third Sector Scrutiny Board received at its meeting on 27 June 2016, the business plan that had been submitted to the council by the SLT October 2015. It was agreed that negotiations would continue between the council and SLT regarding the delivery of the Management and Funding Agreement in relation to the operation of leisure facilities and the provision of a sports development function in the borough. A new business plan for the period 2017/2020 was received and presented to Cabinet at its meeting on 8 February 2017, where it was approved.</p> <p>Complete</p>
<p>Health and Social Care Reforms The Care Act introduced a cap on care costs an individual would pay over their lifetime of £72,000 and was planned to come into effect from April 2016. Following the last general election, the Government decided to postpone the implementation.</p>	<p>The Government has made the decision to delay, until April 2020, the implementation of its policy to cap social care costs under the Care Act.</p> <p>Deferred as a result of the above.</p>

Significant Governance Issues and Action Plan for 2016/17

Based on the council's established risk management approach and system of internal control, the following issues have been assessed as being "significant" in relation to the council achieving its vision. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review and risk management arrangements in place.

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
<p>Children's Trust</p> <p>At its meeting on 19 October 2016, Cabinet was advised of the Government's Statutory Direction (under section 479A of the Education Act 1996) to set up a new arrangement in the form of a children's trust to deliver children's social care services for a period of time.</p> <p>The Statutory Direction set out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State) and was signed in December 2016. This included arrangements for establishing a Trust to deliver children's social care services.</p> <p>The MoU was presented to Cabinet on 7 December 2016. The Cabinet agreed that the key elements of the MoU between the Commissioner and the council, based on TUPE, be accepted as the basis for submission to the Secretary of State, which would allow the existing Statutory Direction to remain in place.</p> <p>A project is currently in progress to establish the Trust. The governance arrangements in place will provide assurance on the progress of the project.</p>	<p>Chief Executive</p> <p>Date to be agreed with the Department for Education</p>
<p>Children's Services</p> <p>The council has continued to work with the Secretary of State appointed Children's Services Commissioner to improve children's social care services. The improvement agenda has focussed on seven key priorities set by the Commissioner that require addressing as a matter of urgency before the wider improvement agenda can be progressed. In the latest update, the Commissioner reported that whilst the council had responded quickly to the deficits in the provision of ICT support to front-line staff, senior management in the service had not made sufficient progress on any of the other priorities, with the delay in setting an appropriate permanent establishment of social workers and managers compromising work on improving standards and the quality of work.</p>	<p>Director of Children's Services</p> <p>March 2018</p>
<p>Resilience of the Medium Term Financial Strategy (MTFS)</p> <p>The Government announced a provisional funding settlement for 2017/18 on 15 December 2016. The implications of this provisional settlement and other policy announcements were detailed in a pre-budget report to Council in January 2017. The final funding financial settlement was received on 20 February 2017 and was reflected in the updated MTFS which was approved by Council in March 2017.</p>	<p>Executive Director of Resources</p> <p>March 2018</p>

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
<p>The council approved a balanced budget for 2017/18, but savings of £10m for 2018/19 and £17m for 2019/20 are needed. A Cabinet Summit was held in June 2017, where ideas for savings to cover the majority of this shortfall were identified and will now be broken down into projects with definite timelines for delivery. This will complement the work in progress as part of the Facing the Future programme.</p> <p>Cabinet members and officers have developed a vision for the council for 2030. Following a consultation process, the wording of the vision has been refined and Cabinet and Council signed off the new vision on 28 June and 18 July 2017 respectively.</p> <p>A new Performance Management Framework that will replace the scorecard will be developed to measure progress against the vision and outcomes achieved. Alongside this, a revised format of the council business planning framework will be used for the 2018/19 business plans.</p>	
<p>Land Sales and Other Matters</p> <p>The progress and completion of issues raised from, and alongside the Gowling WLG report will continue to be considered by the Audit and Risk Assurance Committee in order for the Committee to gain assurance that the issues identified are being comprehensively and promptly addressed. Any member conduct matters will be dealt with through the Standards Committee.</p> <p>Membership of the Audit and Risk Assurance Committee has increased from six to seven and a further Independent Member is in the process of being appointed. Meetings will also continue to be webcast where appropriate to increase transparency and accessibility.</p>	<p>Chief Executive March 2018</p>
<p>Compliance with Contract Procedure Rules and Allocation of Grants</p> <p>Three limited assurance internal audit reports were issued on Grants within Neighbourhood Services, Grot Spot Funding and Off Contract Spend within Grounds Maintenance and Parks and Green Spaces. Since these reports were issued a comprehensive review of Neighbourhood Services taking into account the findings of the audit reports, was completed by the Interim Director of Neighbourhood Services, and a report including a wide range of recommendations was presented to Cabinet on 22 February 2017. Included in the report were a number of actions to be taken in order to address the issues identified in the audit reports, focussing on the systems, processes and compliance with council policies and procedures alongside efficiencies and the performance of the directorate. The implementation of these recommendations will be monitored by Internal Audit and through the Audit and Risk Assurance Committee.</p>	<p>Director of Neighbourhoods March 2018</p>
<p>Business Continuity</p> <p>Progress continues to be made in implementing the framework for business continuity planning arrangements, which will enable the council to maintain delivery of critical services in the event of an emergency. There are still a number of service areas throughout the council which are yet to establish action plans with milestones</p>	<p>Director of Neighbourhoods March 2018</p>

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
developed to complete plans and to establish a strategy for undertaking testing of the plans and for their maintenance and on-going review.	

Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. 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 during the review of effectiveness and will monitor their implementation and operation as part of our annual review.



Councillor Steve Eling, Leader of the Council

Date:



Jan Britton, Chief Executive

Date: