

# Agenda

## Audit and Risk Assurance Committee

**Thursday, 29 July 2021 at 5.00 pm**  
**At Council Chamber - Sandwell Council House, Oldbury**

**This agenda gives notice of items to be considered in private as required by Regulations 5 (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.**

- 1 Apologies for Absence**
- 2 Declarations of Interest**  
  
Members to declare any interests in matters to be discussed at the meeting.
- 3 Minutes** 7 - 12  
  
To confirm the minutes of the meeting held on 24 June 2021.
- 4 Urgent Item of Business**  
  
To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered at the meeting as a matter of urgency.
- 5 Code of Corporate Governance** 13 - 40
- 6 Strategic Risk Register Update** 41 - 66



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8	<b>Financial Management Code</b>	87 - 114
9	<b>Annual Internal Audit Report 2020/21</b>	115 - 136
10	<b>CIPFA Audit Committee Update</b>	137 - 140
11	<b>Estimates Letter 2020/21</b>	141 - 154

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**Distribution**

Councillor M Gill (Chair)  
Councillors Ager, Akpoteni, Allen, Anandou, Bostan, Hussain and Jones

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## Minutes of Audit and Risk Assurance Committee

**Thursday 24 June 2021 at 5.00pm**  
**In Council Chamber at Sandwell Council House, Oldbury**

**Present:** Councillor M Gill (Chair);  
Councillors Bostan, Z Hussain and O Jones

**Officers:** David Stevens (Chief Executive Officer); Sujit Tour (Director - Law and Governance and Monitoring Officer); Rebecca Maher (Head of Finance) and Peter Farrow (Audit Services and Risk Management Manager);

**Also Present:** Mark Stocks (Grant Thornton).

### 22/21 **Councillor Sandra Hevican**

The Committee stood in silent tribute to the late Councillor Sandra Hevican, who had sadly passed away in March 2021. Councillor Hevican had been a member of this Committee.

### 23/21 **Apologies for Absence**

Apologies for absence were received from Councillors Allen, Anandou, Akpoteni and Mr Jay Hussain (Independent Member).

### 24/21 **Declarations of Interest**

There were no declarations of interests made at the meeting



## Minutes

The minutes of the meeting held on 18 March 2021 (and reconvened on 18 May following an adjournment) were submitted.

Members were not minded to approve the minutes as a correct record, and requested that it be submitted to a future meeting for further consideration.

Members also felt that the matter referred to at Minute 21/21 required further discussion at a future meeting of the Committee.

The proposals were put to the vote and carried unanimously by those members present and with voting rights.

### Resolved:-

- (1) that the minutes of the meeting held on 18 March (and reconvened on 18 May following an adjournment) are re-submitted to a future meeting of this Committee for consideration;
- (2) that, as a consequence of resolution (1) above the minutes of the meeting held on 18 March (and reconvened on 18 May following an adjournment) are not submitted to the Council at its meeting in July 2021;
- (3) that an additional meeting of the Committee is held, and the matter referred to at Minute No. 21/21 of the meeting held on 18 March (and reconvened on 18 May following an adjournment) be re-considered at a future meeting of this Committee.

## Urgent Items of Business

There were no urgent items of business to consider.





27/21

## Internal Audit Plan 2021/22

The Committee received the Internal Audit Plan for 2021/22, which set out the proposed work of internal audit for the year ahead.

The plan had been put together based on the Council's risk register, the ambitions set out in the Corporate Plan, the views of relevant directors and an awareness of the Council overall. From this, a long list of areas had been assessed to create the Plan. The Council's response to the Covid-19 pandemic was included in the Plan, along with a number of other high-profile areas.

The plan was fluid and could change to accommodate new or emerging risks.

The Committee was assured that the Internal Audit team was adequately resourced to deliver the 2021/22 Plan.

Members thanked the officers for the tremendous work they had done to deliver the audit service and programme of business grants required as a result of the pandemic.

**Resolved** that the Internal Audit Plan for 2021/22 is approved.

28/21

## Annual Counter Fraud Report

The Committee received a report setting out the work undertaken by the Counter Fraud Unit over the last year. The Unit had spent a significant amount of time working alongside the government to conduct checks on businesses applying for grants to support them during the pandemic.

Over £58m of grants had been paid to businesses to support them during the pandemic and the Unit had carried out both pre-payment and post-payment checks. It was estimated that around five of the 5,482 grants paid had been found to be fraudulent, however, a significant number of bogus grant claims had been detected before payment had been made. Post-payment checks



continued and where necessary grants paid to ineligible businesses would be re-claimed. The government had provided local authorities with a number of free tools to support them in making checks on businesses applying for grants and it was anticipated that these tools would continue to be available for the foreseeable future.

The highest risk area continued to be housing related fraud and the Unit also spent a significant amount of time investigating council tax fraud. The Unit had also worked in collaboration with the Neighbourhoods directorate to recover 18 Council properties that had been obtained fraudulently. The government estimated that each property recovered was worth around £93k, in non-cashable terms.

The Unit continued to participate in the government's National Fraud Initiative, which provided valuable information and data matches to local authorities to support them in tackling fraud. Sandwell had been featured as a case study in the 2020 report.

Members congratulated the Unit on it's hard work and successes.

29/21

## **External Auditors Progress Report**

The Committee received a report setting out the work undertaken by the Council's external auditors, Grant Thornton, so far in 2020/21.

Auditing of the Council's financial statements for 2019/20 was still ongoing, due to outstanding matters in relation to property valuations. It was anticipated that the financial statements and the audit findings report would be presented to the Committee at its meeting in July 2021.

Audit of the financial statements for Sandwell Land and Property Ltd had now been completed and the Council had been advised to liquidate the company as soon as possible.

Work on the 2020/21 financial statements would commence in August, with findings being presented to the Committee in November 2021.



## 30/21 **Informing the Risk Assessment**

The Committee received a report setting out a series of questions that had been asked of the Council, the responses to which would inform the basis of the external auditors' risk assessments. In accordance with the International Standards on Auditing (UK), (ISA(UK)) auditors were required to consult the Committee. The Committee noted the responses that had been provided by officers.

Members sought clarification on the financial instruments used by the Council and the Head of Finance undertook to report back to a future meeting of the Committee.

## 31/21 **External Audit Plan 2020/21**

The Committee received an overview of the planned scope and timing of the statutory audit of the Council.

Council developments, including the impact of the pandemic, a chief officer restructure, the 2022 Commonwealth Games and the requirements of the Financial Reporting Code were some of the key factors in designing the work plan.

The new Code of Audit Practice 2020 had brought about significant changes to the way the audit of Value for Money would be approached, setting out a new set of criteria covering financial sustainability, governance and improvements in economy, efficiency and effectiveness. Auditors were now required to produce a commentary on arrangements across each of the key criteria, rather than the previous "reporting by exception" approach.

A significant risk of weakness had been highlighted in relation to governance and concerns were expressed about the Council's ability to move forward from past events and focus on the future. Whilst the past events referred to had been significant, it was felt that the continued scrutiny of these matters did not serve the people of Sandwell. Concern was also expressed about the impact that these matters had had on relationships between



officers and members. Auditors had written to the Chief Executive detailing the concerns and, under the Local Audit and Accountability Act 2014, could make statutory recommendations that the Council would be required to consider and respond to publicly. Mr Stocks confirmed that he would be undertaking a governance review of the Council to determine what action, if any, was appropriate.

Meeting ended at 6.19pm

This meeting was recorded and is available to watch [here](#).

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## Report to Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	Code of Corporate Governance
<b>Director:</b>	Director of Legal and Governance/Monitoring Officer Surjit Tour
<b>Contact Officer:</b>	Elaine Newsome - Service Manager Democracy Peter Farrow - Audit Services Manager Narinder Phagura – Finance Business Partner

### 1 Recommendations

That Full Council be recommended to approve the updated Code of Corporate Governance







### 2 Reasons for Recommendations

The revised Code of Corporate Governance contributes toward the statutory assurances on the robustness of its governance arrangements.

Approval of the Code is a matter for Council to determine, on the recommendation of Audit and Risk Assurance Committee. Audit and Risk Assurance Committee as the committee with a corporate governance and compliance remit need to be satisfied that arrangements remain robust and recommend adoption of the Code of Corporate Governance to Council.



### 3 How does this deliver objectives of the Corporate Plan?

	Governance mechanisms underpin all aspects of the Council. The Code of Corporate Governance, as a public statement that demonstrates the Council has the necessary governance arrangements in place to perform effectively, contributes toward achievement of the Corporate Plan in its entirety.
	
	
	
	
	

### 4 Context and Key Issues

- 4.1 The Council is responsible for ensuring that it's business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used efficiently and effectively, and that it has robust and assured governance arrangements in place.
- 4.2 The Accounts and Audit Regulations 2015 require a local authority to review at least once a year the effectiveness of its system of internal control. This requirement will be fulfilled if the review is conducted in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).
- 4.3 The Council adopted the Local Code of Corporate Governance as a mechanism to demonstrate that it's governance structures comply with the principles contained in the framework. The Code is a key component of the Council's governance arrangements and describes the processes and arrangements that the Council has in place to evidence compliance with good governance principles.
- 4.4 As part of its commitment to ensuring that the governance infrastructure remains appropriate, the Council undertakes a regular review of its



arrangements and updates the Code to reflect any required changes. The Code (attached at appendix 1) reflects the adoption of the Corporate Plan; outcome of the review of the Code of Conduct; interim Covid governance arrangements; and has expanded the narrative around elements of the content for ease of public consumption.

## 5 Alternative Options

5.1 None – the Code contributes toward the legislative requirement for the authority to review the effectiveness of its systems of internal control.

## 6 Implications

<b>Resources:</b>	The Code outlines the Council’s systematic and procedural approach to strategic resource management.
<b>Legal and Governance:</b>	The governance review process ensures that the Council discharges its statutory duties. The adoption of the Code of Corporate Governance demonstrates how the council complies with the Delivering Good Governance in Local Government Framework 2016.
<b>Risk:</b>	The Council is legislatively required to have efficient and effective governance arrangements in place. These are evaluated on an annual basis by the internal and external audit function who provide an opinion on the efficiency and effectiveness of the council’s governance arrangements. The code and the arrangements outlined within provides assurances that the Council remains compliant with its obligations
<b>Equality:</b>	There are no equality impact issues associated with this report
<b>Health and Wellbeing:</b>	None associated with this report
<b>Social Value</b>	None associated with this report

## 7. Appendices

Appendix 1 Code of Corporate Governance

## 8. Background Papers

None



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Code of Corporate Governance  
Revised July 2021.



## Introduction

Corporate governance is a term used to describe the way that organisations direct and control what they do. For local authorities, it includes the systems, policies and processes, as well as the cultures and values, that underpin a council's arrangements for effective:

- leadership
- management
- performance
- delivery of positive customer outcomes
- community engagement
- stewardship of public money

## The Sandwell Vision 2030



*In 2030, Sandwell is a thriving, optimistic and resilient community. It's where we call home and where we're proud to belong - where we choose to bring up our families, where we feel safe and cared for, enjoying good health, rewarding work, feeling connected and valued in our neighbourhoods and communities, confident in the future, and benefiting fully from a revitalised West Midlands.*

The Sandwell Vision and its 10 Ambitions are at the heart of everything the council and partners in Sandwell do.

## Corporate Plan: Big Plans for a Great Place

The Council has developed its [Corporate Plan- The Sandwell Plan – Big Plans for a Great Place](#) that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions over the next five years, and is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, which reflects the culture of the organisation through strong leadership in an honest, open and transparent environment.

## OUR STRATEGIC OUTCOMES



THE BEST START IN  
LIFE FOR CHILDREN  
AND YOUNG PEOPLE



PEOPLE  
LIVE WELL  
AND AGE  
WELL



STRONG  
RESILIENT  
COMMUNITIES



QUALITY HOMES  
IN THRIVING  
NEIGHBOURHOODS



A STRONG AND  
INCLUSIVE  
ECONOMY



A CONNECTED  
AND ACCESSIBLE  
SANDWELL



ONE COUNCIL  
ONE TEAM

This Code of Corporate Governance contributes to our Big Plans for a Great Place by ensuring that a strong governance framework is in place and underpins everything the council does.

## Good Corporate Governance

Sandwell Council is committed to achieving good corporate governance and this Code describes how the council intends to achieve this in an open and explicit way. In developing this Code, the council has considered best practice and guidance, particularly the seven core principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”.

- 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.

However, the Code is purposefully written in a way that best reflects the council’s own structure, functions, size and the governance arrangements in existence.

## The Sandwell Position

Sandwell embraces the seven principles with clear lines of accountability for any decisions it makes, and clear rules, regulations, policies and practices which govern how those decisions are made and implemented.

The council has adopted the strong ‘leader and cabinet’ form of executive arrangement under the Local Government and Public Involvement in Health Act 2007 with a Cabinet of up to ten Councillors, meeting in public to make executive decisions on matters of strategy and borough-wide significance. Each Cabinet Member also has a portfolio of responsibility for the delivery of services, which are aligned to each of the 10 Vision Ambitions, for which they are accountable. The council’s practices are underpinned by three overarching principles:

### Respect for others

Councillors should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, sexual orientation, gender reassignment, race, religion and belief, disability, age, marriage and civil partnership. They should respect the impartiality and integrity of the council’s statutory officers and its other employees.

### Duty to uphold the law

Councillors should uphold the law and, on all occasions, act in accordance with the trust that the public has entrusted in them.

## Stewardship

Councillors should do whatever they are able to do to ensure that the council uses its resources prudently and in accordance with the law.

## Putting the principles into practice in Sandwell

Sandwell Council is confident that its governance arrangements are robust. The council recognises, however, that there is always room for improvement and progress, especially as the council continues to evolve to deliver extensive change and to meet rising government and customer expectations about the quality and responsiveness of services.

The council has established a Corporate Governance Board, which includes senior officers from across the council including finance, HR, ICT, audit, risk management, democratic services, health and safety, legal and assurance and procurement. As part of its role each year the Board:

- Assesses to what extent the council complies with the principles and requirements of good governance as set out in the CIPFA/SOLACE framework.
- Identifies systems, processes and documentation that provide evidence of compliance.
- Identifies the officers, Councillors and bodies responsible for monitoring and reviewing the systems, processes and documentation identified.
- Identifies governance issues that have not been addressed adequately and what actions should be taken and by whom; and draws up and monitors an action plan.
- Co-ordinates and drives continuous improvement through raising awareness and understanding of governance and the council's governance arrangements.
- Reports to the Leadership Team with the assurances it has obtained in respect of the council's governance arrangements.

## Monitoring, Review and Changes

The council's commitment to good corporate governance includes the application, development and maintenance of this Code. This is undertaken by the council's Corporate Governance Board (the Board). The Board is responsible for monitoring and reviewing the effectiveness of the governance framework and identifying any issues and agreeing an action plan. The results of this review are contained in the Annual Governance Statement which is reported to the Audit and Risk Assurance Committee and published with the Annual Statement of Accounts. The role of the Committee is to understand the process undertaken to review governance and to ensure that the Statement aligns with its understanding of the effectiveness of the council's governance framework. The Committee is also responsible for obtaining assurances that the measures within the action plan to improve governance are addressed and implemented.

Any changes that are required to this Code resulting from its review, will be submitted to the council for approval.

Councillor Maria Crompton  
Deputy Leader of the Council

David Stevens  
Chief Executive

## Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Ensuring Councillors and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
- Ensuring Councillors take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
- Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- The council's values and behaviours (Trust, Unity and Progress) guide and shape the council's culture and helps Councillors and officers understand what is expected from them.
- Upon election to office, Councillors confirm in writing that they will fulfil the expectations set out in the Code of Conduct for Elected Members.
- Codes of Conduct for officers and Councillors are in place and supplemented by guidance for when serving on outside bodies including partnerships. During 2020/2021, all members have been invited to contribute to a comprehensive review of the Code of Conduct. A new Code was considered and adopted by Council in March 2021 and implemented with effect from 25<sup>th</sup> May 2021.
- The ethical standards and member development committee have a development programme in place for Councillors.
- Completion of Cabinet Members' Assurance Statement, and Directors' Assurance Statements and individual sign off by Cabinet Members with regards to compliance with the Elected Member Code of Conduct.
- Performance appraisal process for officers.
- Professional development planning for Councillors informs the member development programme
- Register of interests for Councillors and officers.
- Declarations of interest sought and recorded annually.
- Gifts and Hospitality policy.
- Open and transparent decision-making arrangements, including an effective Audit and Risk Assurance Committee.

- Ensuring Councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
  - Creating the conditions to ensure that the statutory officers, other key post holders and Councillors are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
  - Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
  - Dealing with breaches of legal and regulatory provisions effectively.
  - Ensuring corruption and misuse of power are dealt with effectively.
- Robust and proper arrangements in place to ensure high standards of behaviour in dealing with the invitation of tenders and award of contracts and financial matters through effective Standing Orders, Financial Regulations and Procurement and Contract Procedure Rules.
  - Modern Slavery policy and statement to ensure modern slavery is not taking place in any part of its own business or any of its supply chains.
  - Policies and processes on information governance in place and process in place for dealing with Freedom of Information Act requests, Environmental Information Regulations requests and Subject Access Requests.
  - Confidential reporting code (whistleblowing policy) which allows employees, partners, contractors and the public to make confidential complaints on matters of concern.
  - The Ethical Standards and Member Development Committee promotes and maintains high standards of conduct and ethical governance by Councillors and presents an Annual Report to the council setting out how it has discharged its functions. The committee receives regular reports on allegations of Elected Member misconduct and the outcome of each complaint.
  - Customer Complaints and Compliments Process in place.
  - Arrangements for dealing with (Councillors) standards allegations under the Localism Act 2011 are in place.
  - Compliance with CIPFA's "Statement on the role of the Chief Finance Officer in local government" which is reviewed on an annual basis.
  - Specific roles and responsibilities of Councillors are detailed in the Constitution.
  - Each Committee has clear terms of reference which are reviewed on an annual basis.
  - Anti-Money Laundering and Anti-Fraud and Corruption policies.

- Compliance with Data Protection requirements, GDPR and related guidance.
- Membership of various professional and advisory organisations (by both the council and professional officers) to help ensure up to date knowledge of legal and regulatory duties and responsibilities are maintained.

## Principle 2: Ensuring openness and comprehensive stakeholder engagement

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.
- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
- Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- The council's Constitution outlines the way in which it is organised to carry out its functions, powers, duties and obligations. It explains the structures and decision making processes of the council and brings together in one document all the detailed rules and procedures that govern the behaviour of those who work for or represent the council.
- The Constitution sets out how the council is accountable to the local community, the individual rights of citizens and sets out the role of the scrutiny function in engagement with the public and partners.
- Cabinet reports include details of engagement and consultation activity undertaken as part of the decision-making process.
- A Scrutiny Annual Report is produced, and individual scrutiny review reports are also undertaken and published.
- Electronic communications and use of social media (Facebook, Twitter, YouTube, etc.).
- Statutory Notices are published on a monthly basis and set out what key decisions the council's Executive is going to make.
- The Committee Management Information System (CMIS) allows members of the public to examine agendas, reports, minutes and decisions of any meeting via the council's web site. A new Committee Management System will be introduced in September 2021 that will enhance the current provision
- Full Council, Cabinet and certain committee meetings are webcast.
- Reporting guidelines ensure consultation with all relevant officers takes place prior to submitting decision making reports.
- Sandwell's Elected Member level decisions are taken in a public forum, either at a formal meeting or as individual Cabinet



- Ensuring that communication methods are effective, and that Councillors and officers are clear about their roles with regard to community engagement.
  - Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
  - Implementing effective feedback mechanisms to demonstrate how views have been taken into account.
  - Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.
  - Taking account of the interests of future generations of tax payers and service users.
- Members at a pre-advertised time and place so that the public and/or other Councillors of the council can attend. Decisions are only made in private if a report contains exempt information as defined by Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.
- The Freedom of Information policy and Publication Scheme provide details of information that is publicly accessible.
  - Council's compliance with the data transparency agenda includes publication of all expenditure in excess of £500 and all spend on procurement cards.
  - Sandwell Trends provides data, intelligence and analysis of the people and places of Sandwell to inform decision making
  - The council has protocol and procedure in place in line with the Localism Act 2011 for dealing with requests in relation to assets of community value.
  - The Sandwell Vision 2030, Corporate Plan and Medium Term Financial Strategy set out the council's ambitions and plans, to achieve our vision.
  - Communication with officers through team briefs, staff surveys, the intranet, social media, newsletters, blogs, manager briefings and staff conferences.
  - Communication with representative bodies is conducted through the service area Joint Consultative Committees and the corporate Joint Consultative Panel.
  - The council is an Investors in People silver accredited organisation which confirms our commitment to supporting and developing our teams to deliver the best services for Sandwell.
  - The council website hosts a database of issues where we actively engage in public consultation.
  - The council consults with targeted stakeholders for specific projects using a variety of different consultation tools.

- The MySandwell account allows residents to request services, report problems and track any enquiries they put in to the council
- Improving resource use through effective business planning and appropriate application of techniques such as benchmarking and other approaches in order to determine how resources are allocated to achieve outcomes effectively and efficiently.
- The council undertakes Equality Impact Assessments on issues that will affect our community.

**Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions.
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
- Delivering defined outcomes on a sustainable basis within the resources that will be available.
- Identifying and managing risks to the achievement of outcomes
- Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available.
- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- The council’s Corporate Plan sets out how the council aims to achieve its ambitious Vision 2030 to deliver positive outcomes for the people of Sandwell. The Plan is supported by the council’s Medium Term Financial Strategy which ensures that resources are targeted towards achievement of the council’s priorities.
- The council uses its combined spending power to work towards sustainable social and economic benefits.
- The Black Country Core Strategy makes a valuable contribution to shaping future development, improving the safety and security of the area and reducing crime and disorder within the Borough and is linked into the West Midlands Combined Authority Strategic Economic Plan.
- Annual reports including Scrutiny, Audit, Safeguarding Boards, provide details of performance against service specific activities.
- .
- Each directorate has a business plan which sets out performance standards.

conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.

- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
- Ensuring fair access to services.

- The MySandwell customer portal provides data derived from customer feedback for the use of service areas to direct improvements.
- Value for money is assessed through External Audit, the Audit and Risk Assurance Committee reviews, service reviews and other external inspections.
- A Strategic Risk Register identifies the key risks which may impact upon the delivery of key priorities and appropriate mitigating actions. This is regularly considered by the Audit and Risk Assurance Committee.
- Decision making reports consider the sustainability of proposals as well as health, crime and financial implications.
- Cabinet Workshop meetings are regularly held to set the strategic direction and identify priorities in response to available resources, identified need, statistical evidence and citizen feedback.

**Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes**

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided.
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- The council’s Constitution sets out our approach to decision making and details the responsibilities for and principles of decision making within the council.
- Decision making reports include alternative options available and details of any significant risks associated with the proposals.
- There are clear timescales for the submission of reports to Council, Cabinet and committee’s and a compulsory consultation process to evidence the review of reports prior to submission to Councillors. Reports are structured to identify options for consideration along with an analysis of outcomes, any identified risks and associated mitigating measures.

- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
  - Considering and monitoring risks facing each partner when working collaboratively, including shared risks.
  - Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.
  - Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
  - Ensuring capacity exists to generate the information required to review service quality regularly.
  - Preparing budgets in accordance with objectives, strategies and the Medium Term Financial plan.
  - Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
  - Ensuring the Medium Term Financial strategy integrates and balances service priorities, affordability and other resource constraints.
  - Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
  - Ensuring the Medium Term Financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
  - Ensuring the achievement of 'social value' through service planning and commissioning.
- The council's Medium Term Financial Strategy is updated annually. The strategy sets out how the council wishes to structure and manage its finances now and, in the future, and to ensure this approach facilitates delivery of the its vision, aims and objectives.
  - Directorates produce individual business plans which are reviewed annually and set out the vision and strategy for the service.
  - Electronic communications and use of social media (Facebook, Twitter, YouTube, etc.) as tools for community engagement
  - Communication with staff is through manager briefings, team briefs, staff surveys, the intranet, social media, newsletters and blogs.
  - Communication with representative bodies is conducted through the service area Joint Consultative Committees and the corporate Joint Consultative Panel.
  - Partnerships are in place where the council has arrangements to deliver services jointly or through other organisations. The effectiveness of these arrangements is assessed through partnership boards or contract monitoring.
  - Partnership risks are identified in relevant risk registers.
  - The council has a strategic risk register and a Covid 19 and Brexit strategic risk register which identifies the key risks which may impact upon the delivery of key services and the effectiveness of the council's response to the pandemic.
  - The Sandwell Vision 2030, Corporate Plan and Medium Term Financial Strategy set out the council's improvement plan,
  - Detailed plans for annual budgets are prepared and presented to council for approval alongside financial plans for the medium term. Regular reports are presented to the Budget and Corporate Scrutiny Management Board where the council's performance against budget is monitored.

- Annual reports including Scrutiny, Audit, Safeguarding, provide details of performance against service specific activities.
- The council has guidance for compliance with the Public Services (Social Value) Act 2012. The Act requires all Public Services contracts above the OJEU threshold to be subject to appropriate social value criteria. While the Act is only compulsory for this category of contracts it was agreed that the council will consider social value criteria within all contracts.
- Community Wealth and Inclusive Economy Deal Board establish priorities and assist in informing and developing community wealth projects.
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.
- An Equality Impact Assessment is a compulsory consideration for all cabinet reports.

## Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by Councillors and each provides a check and a balance for each other's authority.
- Developing the capabilities of Councillors and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring Councillors and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.
  - ensuring Councillors and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- Cabinet member portfolios aligned to 10 Ambitions.
- The roles and responsibilities of the cabinet are set out in the council's Constitution, including the scheme of delegation.
- Annual reports including Scrutiny, Audit, Safeguarding, provide details of performance against service specific activities.
- Youth Parliament which encourages young people to engage with the council and its democratic processes.
- Protocol for Elected Member/Officer Relations included within the council's constitution.
- Member Development Programme Elected Member induction, training and development programme.
- The council's Leadership Team has a defined role and area of responsibility and all senior officers have job descriptions which set out respective responsibilities and accountabilities.
- Regular briefings between the Leader and the Chief Executive.
- The council-wide process for understanding the performance and professional development needs of our employees along with a suite of policies to support employee performance toward delivering excellence.
- Employee engagement survey helps understand how the council is performing against other organisations both in the public and private sector and identifies services and areas for improvement.
- Induction programme for staff and ongoing appraisal, training and development.
- The council-wide process for understanding the performance and professional development needs of our employees along with a suite of policies to support employee performance toward delivering excellence.

- ensuring that there are structures in place to encourage public participation.
- Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
- Holding staff to account through regular performance reviews which take account of training or development needs.
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources, including, Planned Leavers, Sandwell Graduate Programme and the Modern Apprentice programme. The council invests in its current and future leaders through the ‘Future Engage Deliver’ programme for all senior management and managers.
- Suite of clear policies and support mechanisms in place to maintain the health and wellbeing of its workforce, including access to Occupational Health, Employee Assistance and Counselling service, Wellbeing Hub, remote and flexible working.
- The Local Government Association undertook a Corporate Peer Review in 2018 with a follow up review in 2019. The council has developed an action plan to address areas for continuous improvement that were identified by the review process.
- Engagement in national and local benchmarking exercises to help identify whether the council is performing well and identify areas for improvement.  
External inspections including Ofsted and external audit assess the capability and capacity of senior officers
- Assessment against CIPFA’s “Role of the Chief Financial Officer” and the “Role of the Head of Audit”.

## Principle 6: Managing risks and performance through robust internal control and strong public financial management

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for managing individual risks are clearly allocated.
- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.
- Providing Councillors and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- The council has assessed itself against the six core principles in the CIPFA Financial Management Code and has prepared an action plan to address any areas of improvement for implementation during 2021/22.
- The corporate risk management policy and strategy sets out the processes in place to manage risk across the organisation and the roles and responsibilities of officers and Councillors in this respect. The Audit and Risk Assurance Committee has oversight of risk management and is the council's primary body in respect of related issues.
- Partnership governance arrangements are in place where the council delivers services jointly or through other organisations. The effectiveness of these arrangements is assessed through partnership boards or contract monitoring.
- Regular reports to scrutiny boards, Audit and Assurance Committee and Full Council include annual Scrutiny, Audit, Safeguarding reports and quarterly monitoring reports from Children's Services Commissioner which provide details of performance against service specific activities.
- The Constitution contains a section on decision making which details the responsibilities for and principles of decision making within the council.
- The Committee Management Information System on the council's website advertises when committee meetings will take place and publicises the agenda, reports (unless legislative exemptions apply) and minutes of the meeting.
- The council has a scrutiny function which considers financial and corporate performance, making recommendations through to the cabinet.



- Aligning the risk management strategy and policies on internal control with achieving objectives.
- Evaluating and monitoring risk management and internal control on a regular basis.
- Ensuring effective counter fraud and anti-corruption arrangements are in place.
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
- Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body.
- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.
- That its recommendations are listened to and acted upon
- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
- Decision making reports have a standard template ensuring that the financial and risk implications of the decisions are explicit.
- The council's Constitution states that it will exercise all its powers and fulfil its duties in accordance with the law and the Constitution and the Monitoring Officer ensures that this is complied with.
- The council has Financial Regulations and Procurement and Contract Procedure Rules and which are reviewed on a regular basis.
- Appropriate Schemes of Delegation to Cabinet Members and Officers are in place.
- Internal Audit function and Corporate counter-fraud function in place to provide independent assurance on risk areas. Assurance is based on completion of an annual internal plan, approved by the Audit and Risk Assurance Committee and presentation of progress reports and an annual report to the Committee.
- An Annual Governance Statement, which provides assurances that the Council's governance arrangements are robust is published with the Annual Statement of Accounts.
- The Audit and Risk Assurance Committee has clear terms of reference and receives regular training updates.
- The Audit and Risk Assurance Committee presents its annual report to Council detailing how it has met its constitutional functions.
- Suite of information governance policies are in place to manage data in compliance with the law.
- Codes of Conduct and declarations of interest ensure appropriate safeguards are in place for potential conflicts of interest.
- Customer Complaints and Compliments Process are in place and a Local Government Ombudsman Annual Review is presented to the Audit and Risk Assurance Committee.

- Process in place for dealing with Freedom of Information Act requests, Environmental Information Regulations requests and Subject Access Requests.
- Confidential Reporting Code (whistleblowing policy) communicated to officers, Councillors, partners and contractors.
- External Auditors provide an annual report which gives a conclusion on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- An Information Governance framework to ensure compliance with Data Protection requirements and related guidance including General Data Protection Regulations.

## Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

CIPFA/ Solace behaviours and actions that demonstrate good governance in practice

- Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
- Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.
- Ensuring Councillors and senior management own the results reported.
- Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).
- Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.
- Ensuring that recommendations for corrective action made by external audit are acted upon.
- Ensuring an effective internal audit service with direct access to Councillors is in place, providing assurance with regard to

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the principles of good governance

- Website reports on actions completed and decisions taken and provides access to the information on which decisions were made. Stakeholders are kept informed of future plans of the council and asked to become involved through the completion of consultation exercises.
- Annual reports produced by the various committee's and are available on the council website.
- The Statement of Accounts is available through the council website. The public is able to inspect the councils accounts and discuss them with external auditors in advance of them providing their opinion on robustness.
- An Annual Governance Statement (AGS) is published with the Statement of Accounts. The AGS provides an accurate representation of the corporate governance arrangements and highlights areas where improvements are required and the action plan in place to address this which is monitored by the Audit and Risk Assurance Committee.
- Service support agreement with Sandwell Children's Trust stipulates requirements of the Trust to operate within this framework.
- Service Delivery Contract with the Trust sets out the respective responsibilities and accountabilities of the council and the Trust.
- External Auditors provide an annual report (ISA 260- Report to Those Charged with Governance) which gives a conclusion on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Internal audit complies with the Public Sector Internal Audit Standards.

governance arrangements and that recommendations are acted upon.

- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

- Annual Internal Audit Report with opinion from the Head of Internal Audit.
- Assessment against CIPFA's role of the Head of Internal Audit
- Action plans resulting from review reports (internal audit, external audit, peer reviews, third party reviews), a named officer is given responsibility for completion and progress is monitored by the appropriate committee or senior officer.
- The corporate risk management policy and strategy sets out the processes in place to manage risk across partnerships and the roles and responsibilities of officers and Councillors in this respect.
- Partnership governance arrangements are in place where the council delivers services jointly or through other organisations. The effectiveness of these arrangements is assessed through partnership boards or contract monitoring.
- Annual assurances sought from the Trust through completion of an assurance statement which informs the Annual Governance Statement.
- External inspections including Ofsted, and external audit assess council performance, of which the outcomes of which are reported as appropriate to Audit and Risk Assurance Committee, Scrutiny and Cabinet.
- The Local Government Association undertook a Corporate Peer Review in 2018 with a follow up review in 2019. The Council has developed an action plan to address areas for continuous improvement that were identified by the review process.

## Measures implemented to address the Coronavirus Pandemic

The key processes and arrangements Sandwell Council implemented to retain compliance with the principles of good governance whilst managing the Coronavirus pandemic

The Council initiated a framework of revised governance arrangements to address the many practical challenges of working during the Coronavirus pandemic

The Council continues to adapt the ways in which it is working to address Covid-19 in terms of its governance arrangements, safeguarding the borough's residents, supporting Sandwell businesses and assisting with the roll out of Central Government Covid related announcements, initiatives and policies.

On the advice of the officer responsible for leading the Council's response to civil contingencies or emergency situations, the Council utilised its constitutional provisions for the transfer of all Cabinet and Council functions to the Emergency committee for the initial months of the pandemic until remote decision making legislation was adopted. This ensured that decisions on live issues could be addressed appropriately and in line with established governance principles.

The Council's Financial Regulations were temporarily amended as part of Emergency delegated decision making powers to provide for necessary resources to be targeted toward immediate and emerging need. These have now reverted to pre Covid-19 arrangements. Contract Procedure Rules were similarly temporarily amended to allow for the provisioning of goods and services (for example the temporary food distribution hub)

Upon Central Government legislation for council meetings to be held remotely, the Council re-instated decision making functions to all committees from June 2020 onwards. Emergency Committee remained to progress any immediate coronavirus issues.

The nature of the pandemic required some decisions to be made at pace. The Council introduced a twice weekly meeting of its statutory officers to ensure that corporate governance mechanisms were robustly maintained, including those decisions taken using urgency provisions Statutory Officers Group

- Strategic IMT

- Reset and Recovery Board (including Brexit)
- Redeployment programme
- Welfare Hub
- Temporary food hub
- Remote working arrangements for non front line staff

RIDDOR reporting of Covid 19 cases at work

The Council's approach to governance during Covid-19 has been clearly set out and shared with Councillors, the key aspects of which include:

-The Sandwell Covid-19 Local Outbreak Management Plan outlines the locally led system for Sandwell to protect and promote health and wellbeing during the pandemic. This has been further updated in April 2021 to include new challenges that have since been presented.

-Sandwell Strategic Incident Management Team (SIMT) which is responsible for the day to day Covid-19 response and linked into regional governance structures including the Strategic Coordinating Group and Public Health England. SIMT is locally accountable to the Covid-19 Community Engagement Board which was established to monitor the progress of the pandemic and any changes in national policy or guidance and to advise on how this is communicated to local communities.

-A Reset and Recovery Board was established in June 2020 with agreed Terms of Reference overseeing the emergency response (which included the establishment of a temporary food hub and welfare hub to support the most vulnerable) and the rest and recovery programme of activity.

-The Reset and Recovery programme involved new ways of working with officers working remotely and delivering services virtually where appropriate. Some front line services initially ceased or were delivered with reduced frequency. These were only restarted once a full risk assessment and reset request had been completed and signed off by the the Council's health and safety team and Public Health team and approved by the Reset and Recovery Board. The

activity of the Reset and Recovery Board has now been integrated into Leadership Team meetings as part of Business as Usual activity.

-Following the enactment of the provisions in the Coronavirus Act 2020 introduced in May 2020 on remote meetings, a full range of Council meetings has taken place using these powers and have been streamed and made available on the Council's website.

Development of a Covid-19 risk register interfacing with the Council's strategic risk register to ensure that the Council was aware of and taken account of the key Covid-19 risks. During the year this was consolidated with the Brexit risk register to form a combined Covid-19 and Brexit risk register. The register has been regularly presented to the Audit and Risk Assurance Committee during 2020/21 and at the request of the Committee has now been merged into the Council's Strategic risk register.

-The Corporate Plan is being refreshed with learning and recovery from the impacts of Covid-19 being a key theme that runs through the plan.

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## Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	Strategic Risk Register Update Report
<b>Director:</b>	Acting s151 Officer Rebecca Maher
<b>Contact Officer:</b>	Finance Business Partner Narinder Phagura Narinder_phagura@sandwell.gov.uk

### 1 Recommendations







- 1.1 To review and comment on the strategic risks prior to reporting to the Audit and Risk Assurance Committee (ARAC) on 29 July 2021.

### 2 Reasons for Recommendations

- 2.1 Effective risk management is a key element of good corporate governance, as noted in the council's [Code of Corporate Governance](#), and is essential to the overall performance of the council in meeting its corporate plan objectives. Good risk management will ensure that resources are used efficiently and effectively and that assets and resources are protected against risk in the most efficient way.
- 2.2 The role of the ARAC is to provide assurance to the Council that it has a system of governance, risk management and internal control in place and that the adequacy and effectiveness of these arrangements continue to inform decision making throughout the emergency and recovery period.

### 3 How does this deliver objectives of the Corporate Plan?



	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell
	The report details the key strategic risks that need to be managed to ensure that they do not negatively impact on the delivery of the Corporate Plan objectives.

## 4 Context and Key Issues

- 4.1 This report updates the Committee on the profile of the key risks currently faced by the Council and the actions that have been taken and further actions that may be required to mitigate these risks, since they were last reported in February 2021.
- 4.2 The risk register is a live document and reflects the Council risk profile position at the time of preparing this report in June 2021. However, given the constantly evolving nature of the pandemic and fluidity of central government directives and decisions, the risks require ongoing review to ensure they remain appropriate and are correctly assessed in order to aid informed decision making and resource allocation.
- 4.3 The review and update of each strategic risk, has been discussed with the risk owners and reported to the Leadership Team and Cabinet Members.
- 4.4 Following the reporting of the Council's strategic risk register and the Covid-19/ Brexit risk register to the Committee in February 2021, members of the Committee requested that any risks from the latter register be incorporated into the existing strategic or directorate risk registers as appropriate.



4.5 In addition to the above, a full review and refresh of strategic risks has been undertaken by the Leadership team as part of the refreshing of the Corporate Plan that is also underway. As a result of this review, a number of new risks have been identified for inclusion in the risk register, as well as some risks being transferred to directorate risk registers.

4.6 As a result, the following risks have been identified for inclusion in the strategic risk register:

- Special Educational Needs and Disabilities
- Implementation of external audit recommendations
- Towns Fund programme
- New operating model
- Equalities
- Corporate governance

and the risks below are being transferred to directorate registers:

- CONTEST
- School Place Planning
- Supply chain resilience

4.7 A number of separate risks previously included on the strategic risk register have been consolidated into one strategic risk. These relate to future government policies and funding sources.

## 5 Alternative Options

5.1 Whilst this report does not require a decision and therefore, alternative options do not need to be considered, when measures are being considered for the mitigation of each of the strategic risks, this takes into account any alternative options available.

## 6 Implications

<b>Resources:</b>	Due to the pandemic, the identification and management of risks may not align to the budget
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	<p>planning that was undertaken for 2021/22. The authority's budget planning process is being reviewed to take account, as far as is practicable, the future impact of the pandemic to ensure that limited resources are appropriately allocated in light of the pandemic, to the reset and recovery plan for Sandwell and any new emerging priorities. However, given the global fluidity of the situation, there is a possibility that the 2022/23 budget once approved, and budgeted staff resource allocation may not either fully align to the identification and management of risk, as new risks could emerge that require prioritisation.</p>
<b>Legal and Governance:</b>	<p>There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from CIPFA/Solace, the British Standards Institute (BSI) and a set of joint standards published by the Institute of Risk Management (IRM), Alarm (The public sector risk management association) and AIRMIC (Association of Risk Managers in Industry and Commerce). Evidence that robust management of the authority's strategic risks is being undertaken demonstrates compliance with these standards.</p> <p>The management of COVID related risks will also take into account central government directives and regulatory guidance to ensure these are complied with.</p>
<b>Risk:</b>	<p>The report itself is an update of the key risks facing the Council.</p>
<b>Equality:</b>	<p>As a decision is not being sought in this report, it is not necessary to undertake an Equality Impact Assessment.</p> <p>However, when measures and decisions are being considered for the mitigation of risks, risk owners must take into account any equalities impact and whether an equalities impact assessment is required. The Council recognises that its workforce is instrumental in assisting the organisation in managing the strategic risks noted within this report (as set out in Appendix A) and thereby delivering the Council's priorities. As such, the Council must ensure that</p>



	equalities implications and how they affect the workforce as well as the wider community are considered and underpin all decisions and risk mitigating actions.
<b>Health and Wellbeing:</b>	The management of risks take into account where appropriate, the implications on health and wellbeing of our communities.
<b>Social Value</b>	The actions and decisions that are being considered for the mitigation of the strategic risks, will take into account the meeting of the Council's social value commitments.

## 7. Appendices

Appendix A – Strategic risk register summary as at June 2021

## 8. Background Papers

None



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# Strategic Risk Register Summary @ June 2021

# Appendix A

## Profile of Current Strategic Risk Scores

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<b>RED</b>	4, 21a, 27, 27a, 42a, 53, 54, 59
<b>AMBER</b>	6a, 6b, 50, 55, 56, 58, 60
<b>GREEN</b>	57





1. Best start in life for children and young people



2. People live well and age well



3. Strong resilient communities



4. Quality homes in thriving neighbourhoods




5. A strong and inclusive economy





6. A connected and accessible Sandwell


Risk Ref	Risk Title and Description	Previous risk score (Jan 2021)	Movement in risk score	Current risk score (Jun 2021)	Target risk score and date	Risk Comments																																					
4 07/12	<p><b>Children’s Social Care</b></p> <p>If the council does not put in place robust arrangements and receive appropriate assurances to ensure that the Sandwell Children’s Trust addresses the areas of poor or inconsistent performance, as outlined by Ofsted (and as required by the Statutory Direction served on the council by the Secretary of State on 6 October 2016), with rigour and pace, then the council will fail in its responsibilities to:</p> <ul style="list-style-type: none"> <li>• Safeguard vulnerable children</li> <li>• Promote and improve the outcomes of children in its care</li> <li>• Manage any adverse financial consequences arising from the failure to create favourable outcomes for children within the resources available to it</li> <li>• Improve the continued adverse affect on the council’s reputation.</li> </ul> <p>Risk Area – Children’s Services Risk Owner – Executive Director of Children’s Services <b>Objectives impacted: 1 and 3</b></p>	12 (red)		16 (red)	8 (amber)  Requires Improvement Next full Ofsted inspection	<p>Assurance on the performance of the Trust’s operations against the Service Delivery Contract continues to be overseen by the Operational and Strategic Partnership Boards.</p> <p>Performance against KPIs has been good and some areas have continued to improve, however, staffing levels and high vacancies remain a significant issue.</p> <p>The last Ofsted visit in March 2021 identified continued improvements, but ongoing serious weaknesses in three areas that were previously highlighted in the 2016 inspection. The improvement plan is being refreshed to address these areas specifically, in addition to other areas of continuous improvement. The Department for Education chaired Improvement Board also continues to have oversight of these matters.</p> <p>The new CEO has settled into role quickly and has demonstrated a good grip of the key issues</p> <p>The full Ofsted inspection could be later in 2021 but is more likely to be early in 2022. The contractual obligation to reach a judgement of ‘Requires Improvement’ cannot be met due to the impact of the coronavirus pandemic and the cessation of full inspections. This will also impact the contractual obligation to secure a judgement of ‘good’ by 2022.</p> <p>As a result of the above, given the staffing issues and the ongoing impact of Covid-19 on the ability to deliver business as usual, the risk has increased.</p>																																					
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6a 10/07	<p><b>Emergency Planning</b></p> <p>If the council does not put in place effective arrangements to plan and mitigate against national, regional or local emergencies as defined by Part 1 of the Civil Contingencies Act 2004 (CCA) then this will result in:</p> <ul style="list-style-type: none"> <li>Actual or anticipated failure to adequately protect vulnerable persons</li> <li>Failure to support the emergency services</li> <li>Loss of public confidence in the council</li> <li>Failure to fulfil Civil Contingencies Act responsibilities</li> </ul> <p>Risk Area – Neighbourhoods Risk owner – Chief Executive <b>Objectives impacted: All</b></p>	8 (amber)		8 (amber)	4 (green)	<p>The Covid-19 pandemic continues to test and provide assurance on the robustness and effectiveness of the council's emergency preparedness and planning arrangements.</p> <p>Mitigations implemented since the last update include:</p> <ul style="list-style-type: none"> <li>Continued governance arrangements being stood up to oversee and support the council's response to managing widespread community transmission of Covid-19, including the Strategic Incident Management Team.</li> <li>Ongoing redeployment of staff in critical areas.</li> <li>Regular communications to residents and businesses to ensure they understand the steps that need to be taken to control the spread of infection and also to understand and allay any concerns around vaccination.</li> <li>Participation in the West Midlands Local Resilience Forum (LRF) including Chief Officers, General Working and Operational Groups.</li> <li>Contribution to the Community Risk Register (CRR) via the Risk Assessment Working Group. The CCR informs the capabilities and plans required of partners and is approved by LRF.</li> <li>Ongoing review and maintenance of other emergency plans including the Sandwell Emergency Plan; Rest Centre Plan; Humanitarian Assistance Centre Plan; Sandwell Flood Plan; Extreme Weather Plan; Black Country Excess Deaths Plan; Sandwell Borough Evacuation Plan; and the Emergency Transport Plan.</li> </ul> <p>Whilst the council response has been extensive the risk continues to exist. The recovery plan continues to be implemented and is informed by the lessons learned to date to see where further improvements can be made.</p>																																	
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6b 04/18	<p><b>Business Continuity Management (BCM)</b></p> <p>If the council does not develop, review, monitor and test plans and capabilities that seek to maintain the continuity of key functions in the event of an unplanned disruptive incident, then it will be unable to perform critical business functions which will impact the provision of council services and result in potential financial loss and loss of public confidence in the council.</p> <p>Risk Area – Neighbourhoods Risk owner – All directors <b>Objectives impacted: All</b></p>	9 (Amber)		9 (amber)	6 (green)  Once other emergencies have been tested again	<p>Business continuity plans are in place to mitigate the denial of; staff (e.g. illness, industrial action), ICT (e.g. software failure, cyber attack), facilities (e.g. building closure), stakeholders (e.g. suppliers, partners).</p> <p>As noted above, the Covid-19 pandemic has continued to provide some assurances around the robustness and effectiveness of the continuity of key functions over the last 16 months, whereby Council wide business continuity plans have been tested through a shift to working remotely and the closure of a number of key operational council buildings.</p> <p>Activation of the plans has allowed the adequacy of the council's ICT infrastructure, smart working and redeployment arrangements to also be successfully tested and implemented.</p> <p>An interim lessons learned report was drafted in October 2020 and progress on the implementation of the recommendations is presented to the leadership team quarterly.</p> <p>A formal review of all service plans is required to reflect organisational structure changes, new ways of working and capture learning from this emergency response phase.</p> <p>Consideration for plans to be stored and shared in a business continuity management system e.g. MS Teams will be given over the coming months.</p> <p>Under Procurement and Contract Procedure Rules some suppliers are required to evidence compliant business continuity plans. Suppliers may be listed in service level plans but at present the plans do not detail compliance.</p> <p>Assurances in respect of other unplanned emergencies also need to be regularly tested to ensure the same level of responsiveness and preparedness is maintained for delivery of critical services in these cases. As such, the risk score is unchanged.</p>																										
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21a 06/15	<p><b>Compliance with the Data Protection Act 2018 (DPA 2018), the General Data Protection Regulations (GDPR) and Freedom of Information Act 2000 (FOIA)</b></p> <p>If the council does not ensure it has a robust framework in place to comply with the DPA 2018 (which includes GDPR) or FOIA then it faces significant external action from the Information Commissioner's Office for failing to undertake its statutory duty. Further, failing to comply will result in negative public reaction and reputational damage, significant monetary penalties, loss of confidential data and potentially legal action.</p> <p>Risk Area – Legal &amp; Governance Risk Owner- Director of Law and Governance <b>Objectives impacted: 3</b></p>	12 (red)		12 (red)	8 (amber)  June 2022	<p>Since the last update to the Committee, the following has taken place:</p> <ul style="list-style-type: none"> <li>The NHS self assessment toolkit -NHS Digital was successfully submitted at the end of June which demonstrate the processes the council has in place to meet the requirements with the NHS's data protection standards and data sharing arrangements.</li> <li>All Information Asset Registers are undergoing an annual review in line with the commitments within the council's information governance framework.</li> <li>The council's data retention policy has been reviewed and updated and will be presented to Scrutiny and thereafter to Cabinet for approval in August.</li> <li>Work continues to be progressed to ensure the records held by the council align to the retention policy. Information governance has been included as a standing item on directorate management team meetings to ensure that the progress of this work is monitored and also to ensure that directors fully understand the position of data held. The target date reflects the timescales to complete this work.</li> </ul>																																
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27 06/09	<p><b>Medium Term Financial Strategy and Resource Allocation</b></p> <p>Local Government continues to operate in an uncertain financial environment arising from reducing central government funding, increasing demand for services and Covid-19. If the Council is unable to identify sufficient savings and put in place the necessary policies, processes and actions to manage pressures and manage its plans, then this will impact on the council's ability to effectively discharge its statutory responsibility to set a balanced budget for future years.</p> <p>Risk Area – Finance &amp; Resources Risk owner- Director of Finance <b>Objectives impacted: All</b></p>	16 (red)		12 (red)	8 (amber)  Dependent upon announcements of Comprehensive Spending Review	<p>Managing the council's financial position over the medium term remains extremely challenging, the forecasted position reported to Cabinet on 10 February 2021 identified funding gaps in each year, as summarised in the following table:</p> <table border="1"> <thead> <tr> <th></th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> </tr> </thead> <tbody> <tr> <td>Total funding £m</td> <td>247</td> <td>259</td> <td>264</td> </tr> <tr> <td>Total expenditure £m</td> <td>261</td> <td>267</td> <td>271</td> </tr> <tr> <td>Deficit £m</td> <td>14</td> <td>8</td> <td>7</td> </tr> </tbody> </table> <p>The 2021/22 deficit has been managed in the short term by using one-off balances, providing time and space to develop a sustainable MTFS. All services have been allocated indicative savings targets for implementation by 2022/23, however, given continuing uncertainty over post Covid-19 operations and vacancies within the senior management structure there has been limited progress in developing specific proposals to deliver the budget reductions.</p> <p>The development of proposals during 2021/22 will be undertaken with the active involvement of Cabinet Members, be overseen by the Corporate Budget Board and the results will be incorporated into reports</p>		2021/22	2022/23	2023/24	Total funding £m	247	259	264	Total expenditure £m	261	267	271	Deficit £m	14	8	7
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27a 06/21	<p><b>Future Government Policies and Funding Sources</b></p> <p>If the government does not provide local authorities clarity over the future plans for health and social care reforms, the public health grant, Better Care Fund, future years funding and continuing, with one</p>	red		16 (red)	8 (amber)  Dependent upon future government announcements	This risk has been identified as a consolidation of previous risks within the strategic risk register and the Covid-19 risk register in respect of a national funding solution for children's social care; risks around the government only providing local authorities with one year settlements, the health and social care reforms;																																

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	<p>year funding settlements then this inhibits local authorities to effectively manage medium term/ three year plans and put in place the necessary processes and actions to manage future pressures. This will impact on the council's ability to deliver sustainable services to the people of Sandwell and effectively discharge its statutory responsibility to set a balanced budget for future years</p> <p>Risk Area – Finance Risk owner- Chief Executive <b>Objectives impacted: All</b></p>	<table border="1"> <tr> <td rowspan="4" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>4</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000; text-align: center;">16</td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td></td> </tr> <tr> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>		Likelihood	4				16	3					2					1						1	2	3	4		Impact							<p>government funding for school place planning; future funding for public health and the Better Care Fund.</p> <p>These risks, most of which were previously assessed as red have been consolidated as the council has little if any control over the management of these funding risks.</p> <p>Due to the uncertainties that are currently prevalent around all of these funding sources, the risk continues to be assessed as very high.</p>
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42a 02/17	<p><b>Cyber Security</b></p> <p>If the council does not have a co-ordinated approach and understanding of its existing cyber security controls or those available to it, together with an analysis of identifiable gaps, then this could expose the council to cyber-attack resulting in:</p>	12 (red)		12 (red)	8 (amber)  Dependent upon TMP completion and PSN certification	<p>Since the last update, the following actions have been taken to manage the risk:</p> <ul style="list-style-type: none"> <li>The Cyber Board meets monthly to monitor progress against the Cyber Improvement Action Plan</li> <li>Quarterly updates on all work being undertaken are provided to the Leadership Team and Corporate Scrutiny Board.</li> </ul>																																

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	<ul style="list-style-type: none"> <li>The inability of the council to deliver services, particularly critical services for a significant period of time</li> <li>The loss of corporate and sensitive personal data (including bank details)</li> <li>Enforcement action</li> <li>Significant financial loss and</li> <li>Reputational damage</li> </ul> <p>Risk Area –</p> <p>Risk Owner – Director of Business Strategy and Change</p> <p><b>Objectives impacted: All</b></p>			<table border="1" data-bbox="875 288 1294 485"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>4</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; color: white; text-align: center;">12</td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> </tr> <tr> <td></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td></td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	4					3				12	2					1											1	2	3	4			Impact						<ul style="list-style-type: none"> <li>Training for all staff through the implementation of the meta-compliance annual training</li> <li>Regular communications continue to be sent to employees around the risks of remote working, password security, etc.</li> <li>Attendance at national C-Tag forums and West Midlands Warning, Advice and Reporting Point (WARP) where members can receive and share up-to-date advice on information security threats, incidents and solutions.</li> </ul> <p>Further actions to manage the risk include:</p> <ul style="list-style-type: none"> <li>A review of the process and procedures for backups of all critical systems is being completed in response to the latest guidance from the National Cyber Security Centre (NCSC), following cyber attacks on other local authorities</li> <li>Metacompliance –commencement of phishing tests to gauge awareness of and provide assurance on cyber security across our workforce. The results will be used to improve training and target areas of concern with additional training.</li> <li>Multi factor authentication will be introduced to all users by the end of December 2021, providing a double layer of verification factors to gain access to a resource or system.</li> <li>A gap analysis will be conducted against the Cyber Essentials standard. This will identify the improvements we need to make to achieve the accreditation.</li> </ul> <p>The council's Public Sector Network (PSN) certification continues to be in a deferred' status although the number of unsupported systems has reduced. At present this is not impacting the council's operations and ability to work with other service providers and share resources, as the governing body recognises the challenges involved.</p>
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						The Technology Modernisation Programme (TMP) was abandoned due to the pandemic and the plan will now be approached differently and include the roll out of a new Windows 10 build and an upgrade of the VM Ware and NetApp infrastructure.
<b>50</b> 01/18	<p><b>Commonwealth Games Aquatic Centre</b></p> <p>If the council fails to deliver this project to scope, timescales and cost, then this will result in significant reputational damage to the council.</p> <p>Risk Area – Neighbourhoods</p>	8 (amber)		8 (amber)	4 (green)  April 2022	<p>Work on site has progressed well since main construction commenced in January 2020.</p> <p>The dive tower has now been installed, the building is approaching being weathertight, and work has commenced on the 1<sup>st</sup> fix mechanical and electrical services. All pool tanks are completed, are within FINA (International Swimming Federation) dimensional tolerances, and do not leak. Tiling has commenced on the studio and competition pools. The project also remains on target for delivery within the allocated budget.</p>



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	Risk Owner – Interim Director of Regeneration and Growth  <b>Objectives impacted: 2, 5 and 6</b>		<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td>8</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	4					3					2				8	1							1	2	3	4		Impact								While COVID-19 has had and continues to have an impact on all construction projects in the country, a proactive approach with the contractor, Wates Construction Limited, has seen the impact on the Aquatics Centre project kept to a minimum.  During lockdown one, the site was only closed for 48 hours while health and safety measures were checked to make sure that they were sufficient. Social distancing is in place on site and the site is being managed in line with Government guidelines. The health and safety measures on site have been independently audited and verified.  As the impact of COVID-19 has been minimised and an action plan to move forward has been developed, the Project Team are confident that the project will be delivered in line with the programme.
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53 04/18	<b>Business Management System</b>  If the appropriate project governance arrangements are not put in place to ensure that the project is delivered to	12 (red)		12 (red)	8 (amber)  October 2021	The current system used by the council becomes unsupported from 31 December 2021.  The first phase of the project plan was to go live in September 2020 and subsequent phases / sprints																																		

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	<p>time, scope and budget, then this may result in:</p> <ul style="list-style-type: none"> <li>The council's business system being unsupported</li> <li>Inability to transform services that would enable processes to be more efficient</li> <li>Non compliance/ misalignment with other council policies and projects such as Organisational development, the digital strategy, Work Place Vision and the IT transformation programme.</li> </ul> <p>Risk Area – Chief Executive, Finance &amp; Resources</p> <p>Risk Owner – Chief Executive</p> <p><b>Objectives impacted: All</b></p>			<table border="1"> <tr> <td rowspan="4">Likelihood</td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td>12</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td colspan="6">Impact</td> </tr> </table>	Likelihood	4					3				12	2					1							1	2	3	4	Impact							<p>were planned to carry out service improvement and system functionality improvement works thereafter.</p> <p>As a result of the pandemic, the completion of the first phase has been delayed as the project plan had little slippage. However, as long as the delay of the first phase of go live does not go beyond December 21 then there is no risk of an unsupported system.</p> <p>Delays in the build of the Payroll element have necessitated a delay in go live to the first weekend in October 2021, in order to allow sufficient time to fully test the payroll system.</p> <p>The build of the new solution has been completed by the implementation partner, with the project at the stage of User Acceptance Testing this build. Initial issues around data migration are currently being addressed which may compress the testing phase or potentially push back go live by a further month.</p> <p>Change Management and stakeholder engagement has commenced in earnest raising visibility of the project with the wider organisation.</p> <p>The risk as currently worded however, is about having an unsupported system and ensuring service transformation to enable efficient processes and digital transformation. As the pandemic continues however it remains as an ongoing risk to the delivery of the project.</p>
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54 05/21	<p><b>Special Educational Needs and Disabilities (SEND)</b></p> <p>If the council is not able to appropriately support children with Special Educational Needs and Disabilities within the budget available, the impact on their life chances will be affected, the council will likely be subject to increased Tribunals, and the council's reputation will be adversely impacted.</p>	n/a	n/a	12 (red)	8 (amber)	<p>This risk has been included in the strategic risk register as a result of the consolidation and escalation of risks from the directorate risk register in respect of SEND, SEND transport and High Needs Block and the significant overspend against budget on SEND transport.</p> <p>The management of the risk includes:</p> <ul style="list-style-type: none"> <li>The SEND Strategic Group which is chaired by the Executive Director of Children's Services and oversees the risk.</li> </ul>																																	

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	<p>Risk Area – Children’s Services</p> <p>Risk owner – Executive Director of Children’s Services</p> <p><b>Objectives impacted: 1 and 3</b></p>				the Autumn consultation on the High Needs Block budget	<ul style="list-style-type: none"> <li>Assurance is also provided from the Operational Group which is chaired by the Group Head for Inclusive Learning.</li> <li>An action plan is in place and is being closely monitored to ensure it delivers on the outcomes required..</li> <li>A SEN Transport working group is in place. This group has corporate membership from across the council and is chaired by the Group Head for Education Support Services.</li> <li>The council’s Children’s Services and Education Scrutiny Committee has oversight.</li> <li>There are close links with Ofsted and the DfE to ensure quality and sufficiency.</li> </ul>																																
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55 03/21	<p><b>Implementation of External Audit Recommendations</b></p> <p>If the Council does not put in place and successfully implement an action plan on a timely basis to address the recommendations made by the Council’s external auditors in its Audit Findings Report (AFR), then this may result in future audits providing a qualified opinion, additional audit costs being incurred and reputational harm to the Council.,</p>	n/a	n/a	9 (amber)	6 (green)  September 2022	<p>This is a new risk that has been included as a result of the Council’s external Auditor’s <a href="#">Audit Findings Report 2019/20</a> which was presented to the Committee at its meeting on 18 March 2021.</p> <p>At this meeting, members requested that regular updates on the progress on the implementation of the recommendations made be presented to the Committee. A separate agenda item for this matter has been included and as such the mitigations in place and progress details are presented within that update.</p>																																
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	Risk area- Finance Risk owner – Chief Executive <b>Objectives impacted - All</b>																																					
<b>56</b> 04/21	<b>Towns Fund Programme</b> If the Council fails to deliver the towns fund programme by identifying suitable projects, preparing robust full business cases and ensuring effective delivery then this will result in the inability to regenerate our town centres, create sustainable economic growth and create long term economic prosperity, and also reputational harm to the Council. Risk area- Regeneration and Growth Risk owner – interim Director of Regeneration and Growth	n/a	n/a	9 (amber)	6 (green)  Once PMO is established and projects underway	This is a new risk that has been identified following the announcement by government in the March budget of the £67.5m regeneration boost to Sandwell and the merger of the strategic and Covid-19 risk registers. The towns fund programme has robust governance in place to oversee the programme including a Town Deal Board (superboard) and three Local Boards aligning to the town deal areas. Each Board level has clear responsibilities set out in the Governance arrangements approved by Cabinet on 16th June 2021. The responsibilities of the Town Deal Board align with the requirements of Government. The Council is the Accountable Body for the Town Deal funding. The Director of Regeneration and Growth chairs a Towns Fund Accountable Body																																
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	<b>Objectives impacted – 2, 3, 4, 5 and 6</b>					<p>Officers Group (which is also attended by the Director of Finance/s.151 Officer and officers from procurement and legal as well as all project leads) to review risks and provide a forum for resolution of issues not requiring Board agreement as well as seeking assurances on the management of risk.</p> <p>Each project will be appraised in line with Council processes for capital schemes including a Capital Appraisal carried out by the Strategic Investment Unit. Towns fund and MHCLG advisors are regularly engaged to ensure that the programme is progressing well.</p> <p>Further actions that are necessary to ensure continued management of the risk include:</p> <ul style="list-style-type: none"> <li>• A Towns Fund Programme Manager post to be formalised by August 2021.</li> <li>• The Council and Project Partners to enter into Advance Funding Agreements</li> <li>• Funding to be agreed and a Project Management Office (PMO) to be established for the duration of Towns Fund Programme</li> </ul> <p>Assurances on the management of the risk will also be sought through Internal Audit reviews of the programme and to date no compliance issues have been identified.</p>
<b>57</b> 06/21	<p><b>New Operating Model</b></p> <p>If the council does not put in place effective arrangements to support new working styles for employees this could result in a detrimental impact on the health, well-being and motivation of employees as well as having a negative impact on the productivity and</p>	n/a	n/a	6 (green)	3 (green)  March 2022	<p>This is a new risk that has been identified given the new ways in which the Council will be operating in the future.</p> <p>Measures already in place to manage the risk include:</p> <ul style="list-style-type: none"> <li>• Staff, Managers and Trade Unions being actively engaged in both recognising the current pressures and difficulties the workforce are facing as well as</li> </ul>


Risk Ref	Risk Title and Description	Previous risk score (Jan 2021)	Movement in risk score	Current risk score (Jun 2021)	Target risk score and date	Risk Comments
	<p>attendance of the workforce and effective delivery of key frontline services.</p> <p>Risk area- Transformation</p> <p>Risk owner – Director of Business Strategy and Change</p> <p><b>Objectives impacted - All</b></p>					<p>being able to contribute to how the new operating model will look.</p> <ul style="list-style-type: none"> <li>Regular surveys are being undertaken and engagement with all stakeholders is ongoing.</li> <li>Existing HR policies and procedures are in place that provide the safety net and guidance.</li> <li>Clear and managed health and safety policies and practices and risk assessments being in place.</li> </ul> <p>In order to further mitigate this risk actions will include:</p> <ul style="list-style-type: none"> <li>The reallocation of office space in consultation with Managers and Trade Unions</li> <li>A review of corporate policies in relation to working from home with amendments made as appropriate to ensure the right support is available to employees in the new operating model.</li> </ul> <p>Assurances are being provided to the Work Place Vision Board and subsequently the Corporate Transformation board. Success will be judged on the basis of the engagement scores the Council achieves in the pulse surveys that are being undertaken.</p>
58 06/21	<p><b>Equalities</b></p> <p>If the Council fails to meet its legal obligations in respect of the Equalities Act 2010 and Public Sector Equality Duty ensuring fairness is adhered to and is unable to demonstrate and evidence compliance with its obligations, then this will result in potential legal consequences</p>	n/a	n/a	9 (amber)	TBC once healthcheck completed and work programme agreed	<p>This is a risk that has been identified for inclusion in the strategic risk register.</p> <p>Whilst Equality, Diversity and Inclusion continue to remain a key priority for the Council this has been made even more evident by the 'Me Too' challenge and 'Black Lives Matter' movement. In addition, these issues have been further exacerbated by the pandemic, starkly highlighting the socioeconomic crisis that persists.</p>

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	<p>for non compliance, reputational harm to the Council as well as potential impact on recruitment and retention.</p> <p>Risk area- Legal</p> <p>Risk owner – Director of Law and Governance</p> <p><b>Objectives impacted - 5</b></p>			<table border="1" data-bbox="875 248 1294 443"> <tr> <td rowspan="4" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>4</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FF0000; text-align: center;">9</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td></td> </tr> <tr> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	4					3			9		2					1						1	2	3	4		Impact							<p>To ensure the continued management of this risk the following measures are in place:</p> <ul style="list-style-type: none"> <li>• An Equalities Commission has been set up with agreed Terms of Reference that was approved by the <a href="#">Emergency Committee</a> in November 2020 and is chaired by Cllr Bostan. The Commission will report to the Leader of the Council and the Chief Executive.</li> <li>• Three Stakeholder Groups, also with Terms of Reference have been set up including an Ethnic group; LGBT+ group and a Disabilities stakeholder group and are due to meet shortly. A fourth group in respect of Women is also being set up following request from Trade Unions.</li> <li>• Funding has been secured for 5 full time posts to support work in this area. Officers are working with the Council’s HR team to develop job descriptions with a view to carrying out a recruitment exercise shortly.</li> <li>• An action plan (also approved by the Emergency Committee) has been developed based on feedback provided by employees across the council along with gaps identified in the workforce diversity data as well as best practice put forward by other public-sector organisations. A robust governance framework to help monitor and review the objectives and actions in the plan are also in place.</li> </ul> <p>Further analysis is now required to understand some of the matters raised previously by these forums and once fully analysis has been carried out the action plan will be further updated and shape the work programme for the Commission. It is envisaged that the Council will have a good understanding of its equalities healthcheck by mid autumn. At this time, the risk assessment will be reviewed and updated.</p>
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<p><b>59</b> 04/21</p>	<p><b>Corporate governance</b></p> <p>If the Council fails to undertake and conduct its business in accordance with necessary governance principles and practices to ensure that its actions remain lawful and consistent with best practice and are sufficiently open and transparent, then this will result in challenges being made to the Council, reputational harm and loss of confidence in the Council</p> <p>Risk area- Governance</p> <p>Risk owner – Director of Law and Governance</p> <p><b>Objectives impacted - All</b></p>	n/a	n/a	12 (red)	8 (amber)  March 2022	<p>Members of the Committee will be aware that the Council over the last few years has faced a number of issues and concerns relating to various matters which have had an adverse impact on the Council's governance arrangements and their robustness and effectiveness.</p> <p>Despite efforts to address these issues and efforts to move the Council forward there remain concerns over the Council's governance. These concerns have also been raised by the Council's external auditors.</p> <p>Additional actions being taken include:</p> <ul style="list-style-type: none"> <li>• The Council's external auditors will be conducting a governance review during 2021/22 with a focus on the Council's perceived inability to move forward from historic/ legacy matters and the impact that this is having on the Council being able to move forward. As noted in the audit plan, the review will look at how the Council's governance ensures that there is an effective focus on future plans and services and that member behaviour is appropriate.</li> <li>• The Council has put in place mechanisms to ensure lessons are being implemented including:               <ul style="list-style-type: none"> <li>○ The review of the members code of conduct</li> <li>○ Review of the ethical framework arrangements</li> <li>○ New arrangements for dealing with member complaints and a revised social media policy and gifts and hospitality policy</li> <li>○ The Council has embarked upon a scrutiny review which is expected to be completed this municipal year</li> <li>○ Upgraded audio visual systems in chamber</li> <li>○ The Council is upgrading its Committee Management Information System to aid and support more open and transparent decision making</li> </ul> </li> </ul>																																	
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						<ul style="list-style-type: none"> <li>○ A review will be undertaken to update the Council's decision making arrangements including the forward plan, report templates and report writing.</li> <li>○ A review of the Council's Constitution to ensure remains fit for purpose. This will be overseen by the Governance and Constitution Review Committee.</li> <li>○ Ensuring there is an effective role for Scrutiny particularly around pre decision making and policy development.</li> </ul>																															
<b>60</b> 04/20	<p><b>Health and Safety</b></p> <p>If the council does not allocate resources and put effective arrangements in place to support, protect its residents and workforce and the people they come into contact with then there is a potential risk to health, wellbeing and life, resulting in negative reputational impact and also potential for future litigation claims against the council.</p>	8 (amber)		8 (amber)	4 (green)	<p>This is a risk transferred from the Covid-19 risk register. Mitigations include:</p> <ul style="list-style-type: none"> <li>• Monitoring through staff surveys and manager briefings the levels of wellbeing in the workforce and the borough</li> <li>• Preventative measures which include self help, mindfulness, etc.</li> <li>• Support measures the council has put in place to ensure that people are signposted to pathways to seek self help and therapy as required. This includes existing mental health strategies such as CAMHS, providing capacity and funding through grants to the voluntary community sector to ensure local provision is available for all.</li> </ul>																															
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## Report to Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	Annual Governance Statement 2019/20
<b>Director:</b>	Acting s151 Officer Rebecca Maher
<b>Contact Officer:</b>	Finance Business Partner Narinder Phagura Narinder_phagura@sandwell.gov.uk

### 1 Recommendations







- 1.1 That the Audit and Risk Assurance Committee (ARAC) reviews and approves the council's Annual Governance Statement for 2019/20, which is attached as Appendix A.

### 2 Reasons for Recommendations

- 2.1 The role of the ARAC is to provide assurance to the Council that it has an adequate and effective system of governance, risk management and internal control in place. The Annual Governance Statement sets out the governance assurance framework that has been put in place to enable the Council to report publicly on the extent to which it complies with its code of governance and that the adequacy and effectiveness of these arrangements.



### 3 How does this deliver objectives of the Corporate Plan

	<p>The Corporate Plan is at the heart of everything the Council does. The completion of the Annual Governance Statement and addressing issues arising from it, will contribute to the successful delivery of each of the priorities that make up the Plan, by ensuring that a strong governance framework is in place and informs decision making.</p>
	
	
	
	
	

### 4 Context and Key Issues

- 4.1 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.
- 4.2 In discharging this overall responsibility, the council is also responsible for putting in place proper arrangements for the governance of its affairs and which includes arrangements for the management of risk.
- 4.3 The council has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and completes and publishes a governance statement with its statement of accounts.



- 4.4 The governance statement is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can only provide therefore, reasonable and not absolute assurance of effectiveness. The governance statement is 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.
- 4.5 The statement will be signed by the Chief Executive and the Leader of the Council, who have a responsibility to ensure that the document is supported by reliable evidence and accurately reflects the council's internal control environment.
- 4.6 In 2019/20, to support the preparation of the statement, each Executive Director/ Director completed an assurance statement to identify any areas of significant weakness and the measures that have been or will be put in place to address them. In addition to this, all Cabinet Members also completed Member Assurance Statements to identify any areas for improvement.
- 4.7 The governance statement has been prepared using the assurances provided by Directors and other assurances obtained including external and internal audit, the strategic risk register, Ofsted and other external reviews.
- 4.8 The statement includes details of the areas where the council has significant governance issues arising and includes a plan detailing the actions that are being or will be taken to address these areas of weakness has also been included. Updates on the progress made in implementing these actions will be presented to the Audit and Risk Assurance Committee throughout the year.

### **Consultation**

- 4.9 The governance statement has been reported to the respective directors.



## 5 Alternative Options

- 5.1 The council is required to prepare a governance statement to report publicly on the extent to which it complies with its code of governance, including how it has monitored the effectiveness of the governance arrangements in the year and on any planned changes in the coming period. The council's governance statement must accompany its Statement of Accounts
- 5.2 Given this statutory requirement, alternative options do not need to be considered.

## 6 Implications

<b>Resources:</b>	There are no direct financial and resource implications arising from this report. The action plan contained within the report has been agreed and the resources required to implement the actions will be met from existing budgets.
<b>Legal and Governance:</b>	Legal implications including regulations/law under which proposals are required/permitted and constitutional provisions
<b>Risk:</b>	The Statement includes an action in areas where further improvement is required. Progress on the implementation of these actions will be monitored to ensure risks are mitigated and this will be reported to the ARAC during the forthcoming year.
<b>Equality:</b>	There are no equality implications arising.
<b>Health and Wellbeing:</b>	There are no health and wellbeing implications arising.
<b>Social Value</b>	There are no social value implications arising.

## 7. Appendices

Appendix A – Annual governance statement 2019/20

## 8. Background Papers

None



# Annual Governance Statement 2019/20



## 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. 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 robust arrangements for the governance of all its functions and the effective discharge of its duties and obligations, including the implementation of appropriate arrangements for the management and mitigation of risk.

The Council has a Code of Corporate Governance, which was revised in line with the latest principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The 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](http://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 Statement reflects the governance framework in place across the Group, including Sandwell Children's Trust Limited (a company wholly owned by the Council) and Sandwell Land and Property Limited which is also wholly owned by the Council.

## The Purpose of the Governance Framework

The Governance Framework outlines the Council's culture and values and comprises the systems and processes by which the Council is directed and controlled and details those 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 and ultimately the desired outcomes.

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 2020 and up to the date of approval of the annual report and Statement of Accounts.



## The Governance Framework

The Council's Vision 2030 outlines ten Ambitions for the long-term future of the Borough of Sandwell.



The Council has developed its [Corporate Plan- The Sandwell Plan – Big Plans for a Great Place](#) that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions over the next five years, and is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, which reflects the culture of the organisation through strong leadership in an honest, open and transparent environment.

## OUR STRATEGIC OUTCOMES



The Council's governance framework is consistent with the seven core principles of the CIPFA/ SOLACE framework. Key elements of Council systems and processes form part of the Group's Governance Framework (as detailed in the Code of Corporate Governance) and the table below sets out the evidence relied upon that provides assurance that the CIPFA/ SOLACE framework has been complied with.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received	Issues Identified
<ul style="list-style-type: none"> <li>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</li> <li>Ensuring openness and comprehensive stakeholder engagement.</li> <li>Defining outcomes in terms of sustainable economic, social,</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review of the Constitution</li> <li>Corporate and Directorate business plans</li> <li>Medium term financial plan</li> <li>Corporate risk management strategy</li> <li>Strategic risk-register and assurance map</li> <li>Review of Scrutiny Function</li> <li>Codes of conduct</li> <li>Schemes of delegation</li> <li>Standards and Member Development Committee</li> <li>Emergency Committee</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Accounts</li> <li>External Audit - Report to those charged with governance - ISA 260 Report</li> <li>Annual Internal Audit Report</li> <li>Audit and Risk Assurance Committee Annual Report</li> <li>Annual and periodic Reports to the Ethical Standards and Member Development Committee</li> <li>Member and Executive Development Programmes</li> <li>Ofsted Annual Report of HMCI of Education, Children's Services and Skills</li> </ul>	<ul style="list-style-type: none"> <li>Children's Services</li> <li>Resilience of the Medium Term Financial Strategy</li> <li>Data Protection Act 2018 (incorporating GDPR)</li> <li>Cyber Security</li> <li>Governance arrangements (Covid-19)</li> <li>Commonwealth Games Aquatic Centre</li> <li>Outsourcing to the Voluntary Sector</li> </ul>

<p>and environmental benefits.</p> <ul style="list-style-type: none"> <li>• Determining the interventions necessary to optimise the achievement of the intended outcomes.</li> <li>• Developing the entity's capacity, including the capability of its leadership and the individuals within it.</li> <li>• Managing risks and performance through robust internal control and strong public financial management.</li> <li>• Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit and Risk Assurance Committee</li> <li>• Internal audit plan</li> <li>• External audit plan</li> <li>• Independent external reviews (e.g. Ofsted, CQC, ICO, HSE)</li> <li>• HR Strategy</li> <li>• Business planning and performance management framework</li> <li>• Learning and Development Plans</li> <li>• Communication Strategy</li> <li>• Confidential Reporting Code (Whistleblowing Policy)</li> <li>• Counter Fraud and Corruption Strategy</li> <li>• Customer Service4 (second column) s system</li> <li>• Information Governance Framework</li> <li>• Information Governance Board</li> <li>• Governance Programme Board</li> <li>• Executive Management Team, Cabinet Member and directors' assurance statements</li> <li>• Procurement and Contract Procedure Rules and Financial Regulations</li> <li>• Committee management information system (CMIS)</li> <li>• Strategic Partnership Board and Operational Partnership Board</li> <li>• Improvement Board</li> <li>• Sandwell Sport and Leisure Built Facilities Steering Group</li> <li>• Commonwealth Games 2022 Steering Group</li> <li>• Standards Working Group</li> <li>• Better Care Fund Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Local Government Ombudsman report</li> <li>• Annual Fraud Report</li> <li>• Sandwell Safeguarding Children's Board Annual Report</li> <li>• Sandwell Safeguarding Adult's Board Annual Report</li> <li>• Scrutiny Annual Report</li> <li>• Investors in People</li> <li>• Ofsted inspection and monitoring of Children's Services</li> <li>• Sandwell Children's Trust Ltd Statement of Internal Control Planning Committee Annual Report</li> <li>• Corporate Parenting Board Annual Report</li> <li>• Staff surveys</li> <li>• Community consultations</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive Economy Deal</li> <li>• Covid-19 Reset and Recovery</li> <li>• Sandwell Land and Property Ltd</li> <li>• Brexit</li> <li>• External Audit Recommendations</li> </ul>
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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 2019/20 or after the year end but prior to this statement being finalised include:

- A new Leader was elected following the May 2019 local elections who resigned in July 2020, and the Statutory Deputy Leader assumed the role in accordance with legislative provisions until the May 2021 local elections, when a new Leader and a new cabinet were appointed.
- Interim Chief Executive arrangements were ceased following the successful permanent appointment to the role and a senior management restructure is underway which is

designed to meet the needs of the organisation as outlined in the Corporate Plan – “Big Plans for a Great Place”

- A Standards Working Group has been set up to review the Code of Conduct, the arrangements for dealing with standards allegations and to review the member register and declarations of interest. The working group will review and contribute to the consultation on the LGA draft model code of conduct. In addition, the working group will lead on measuring the Council’s response to the Committee for Standards in Public Life best practice recommendations relating to ethical standards.
- A working group to review the Overview and Scrutiny function was established and engaged with members on the future structure and operation of scrutiny and continues to develop the organisations approach.
- A Governance Programme Board chaired by the Monitoring officer which is attended by various senior officers was established to review ongoing governance matters.
- Preparations began for the implementation of revised annual canvass arrangements.
- A Brexit Working Group was established and a Brexit lead for the Council was appointed to consider and plan for the UK’s departure from the European Union on 31 December 2020.

### **Covid-19 changes**

- Towards the end of the financial year 2019/20, with the emerging Covid-19 situation, emergency governance arrangements were implemented that limited risk to strategic and operational decision making. These included, the deployment of the Council’s Emergency Committee as the primary decision-making body, and enhanced delegated decision-making arrangements that enabled the Council to respond to the outbreak within agreed decision making parameters. Changes were also made to Financial Regulations during the emergency period, most of which reverted to pre Covid 19 arrangements on 1 August 2020 once the initial emergency response passed.
- A Reset and Recovery Board was established in June 2020 with agreed Terms of Reference overseeing the emergency response (which included the establishment of a temporary food hub and welfare hub to support the most vulnerable) and the rest and recovery programme of activity.
- Sandwell Land and Property Ltd is an independent company, which is wholly owned by the Council and was set up with the intention to protect local authority education assets. However, following discussions with the Council’s current external auditors, a review has been undertaken, and it is considered that this arrangement does not provide that protection and as a result, a decision to dissolve the company is being considered.

### **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 Elected 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 Ethical Standards and Member Development Committee; the Scrutiny function, and reports made by the Council’s external auditors and other review agencies and inspectorates (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.
- 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.
- During the year, Member and Executive Development Programmes have been delivered that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective. Peer to Peer performance development reviews have been undertaken by elected Members, the outcomes of which will inform a bespoke future programme tailored to the specific needs identified by Councillors.
- The Council's external auditors Grant Thornton are auditing the Statement of Accounts for 2019/20 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.
- However, it should be noted that there was a significant delay in the sign off of the 2018/19 Statement of Accounts, as a result of issues in respect of property valuations and also the accounting arrangements of the transactions between the Council and Sandwell Land and Property Limited, a company wholly owned by the Council, which have now been resolved. Finalisation of the 2019/20 Statement of Accounts also encountered delays as a result of further work that was undertaken on the basis of the provisions included in the accounts and also enquiries in respect of asset valuations. These issues were detailed in Grant Thornton's Audit Findings Report for the year ended 31 March 2020, which was presented to the Audit and Risk Assurance Committee on 18 March 2021. In addition, as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors also made reference to a number of historic governance issues which they will be taking into consideration as part of the governance review they will carry out within their Audit Plan for the year ending 31 March 2021.



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 (CFO) in Local Government. The statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. Annually the CFO has confirmed compliance with the CIPFA Role of the CFO. Towards the end of the year, from March 2020 the CFO was away from work (and subsequently left the Council's employment in November 2020), and the Head of Finance took on the Acting S151 role. While the Head of Finance has a different role to the CFO who was also the Executive Director of Resources and as such has a wider remit, we believe that the core accountancy principles within the CIPFA Role of the CFO have continued to be met.

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 Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board of non-executive and executive directors. The statutory duty to provide children's social care services however, remains with the Council. As such, comprehensive governance arrangements are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis, and hold the Trust Board to account.
- For 2019/20 the Trust's Internal Auditors provided reasonable assurance that the Trust had adequate and effective governance, risk management and internal control processes.
- As part of its response to the Covid 19 emergency, the Council exercised its corporate business continuity plan. Whilst a number of front line services were temporarily ceased or reduced, a significant number of services have been successfully provided virtually with working from home arrangements put in place where appropriate. Staff were also redeployed into priority service areas such as the Food and Welfare Hubs and support provided to businesses. Risks are being managed through the completion of risk assessments which are regularly reviewed and updated in line with changing government advice.

## Opinion for 2019/20

We have been informed from the sources noted above regarding 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.

However, as recognised elsewhere in this Statement, there was a significant delay in the signing-off of both the 2018/19 and 2019/20 Statement of Accounts, work on which continued throughout 2019/20 and 2020/21 respectively.

The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2018/19 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 yet to be made, the issues and outstanding actions have been carried forward and included in the 2019/20 issues.

## Progress of the Governance Issues from 2018/19

The table below describes the governance issues identified during 2018/19 (which were reported in the 2018/19 Annual Governance Statement) and the progress that has been made against the implementation of actions to address these issues, during 2019/20.

Key Area for Improvement	Update on Position and Implication for the 2019/20 Annual Governance Statement
<p><b>Children's Services</b></p> <p>The Trust continues to implement improvements arising from previous inspections but received 3 compliance notices following a regulatory inspection on fostering by Ofsted. An Ofsted monitoring visit in June removed two of the compliance notices and a re-inspection will take place in September 2019. An inspection of adoption services by Ofsted gave a judgment of requires improvement to be good and made recommendations on how this could be achieved. An inspection of Youth Offending Service gave a good judgement.</p> <p>Although the Trust went live from 1 April 2018, the Council still has a statutory responsibility for children's services. The contract between the Council and the Trust requires children's social care to be assessed as requires improvement by 2020 and good by 2022. The Trust will continue to work with improvement partners, to support its development. The Council is establishing a client function to monitor delivery of the contract via a performance management framework and other methods, including the Strategic Partnership Board which meets quarterly and the Operational Partnership Board which meets monthly.</p> <p>The Trust's outturn position for 2018/19 is an overspend of £6.3m and a key task will be to manage its budget when recognising the increased demand on services.</p>	<p>Sandwell Children's Trust has continued to make steady progress in implementing improvements as evidenced through the year via Ofsted monitoring visits and inspections, and the council's ongoing contract and performance monitoring activity. Nevertheless, until the Trust receives a full inspection, the council's children's services continue to be rated 'inadequate'.</p> <p>The Service Delivery Contract between the Council and the Trust required children's services to be assessed as 'requires Improvement' by 2020. As a result of Covid-19, Ofsted has confirmed that no full inspections will take place until after 31 March 2021. As such, a variation agreement has been drawn up to reflect this.</p> <p>Budget issues were addressed during the year and a Medium Term Financial Plan is now in place for the next three years. This will be closely monitored through the normal contract performance processes.</p> <p><b>Carry forward</b></p>

<p><b>Resilience of the Medium Term Financial Strategy (MTFS)</b></p> <p>Central government's failure to publish details of the Comprehensive Spending Review or detailed plans for the future local government funding formula is creating unprecedented uncertainty around funding allocations. Once details are published, plans will be drawn up.</p>	<p>The Covid-19 pandemic has had a significant financial impact on the current and future financial position of the Council in the form of both additional expenditure and a loss of income from various sources. Although the Council was able to set a balanced budget for 2020/21 and 2021/22 there remains significant uncertainty over future years funding settlements and future funding support from central government, for irrecoverable income. As such, the ability to plan effectively over the medium term continues to be reduced.</p> <p><b>Carry forward</b></p>
<p><b>Compliance with Contract Procedure Rules and Allocation of Grants</b></p> <p>A compliance audit against the ISO procedure has been completed with no significant issues identified. A monitoring process is now underway to monitor spend and regular budget meetings are held with finance.</p> <p>Previous audit recommendations are being followed up by Audit Services and the findings from this will be used to populate an action plan and will be reported back to the Audit and Risk Assurance Committee.</p>	<p>An audit of the procedures in operation for the use of various grants, predominantly within Neighbourhood Services was undertaken. The review identified a need to review and refresh the overarching Third Sector Funding Strategy and Voluntary and Community Sector Grant Funding Guidance and Procedures, streamline the number of, and different grant funding streams in place. Similarly, with regards to the different processes and forms used to administer these, improve monitoring and a continuing need to ensure that the use of funds aligns to Vision 2030.</p> <p>The Council has since formed an Investing in the Voluntary and Community Sector Operational Group and the process for dealing with such grant funding was subject to a strategic overview. In September 2019 Cabinet approved the replacement of the Third Sector Funding Strategy with a new Voluntary and Community Sector Funding Protocol.</p> <p>In March 2020 agreement was sought from Cabinet to a three-year grant for SCVO (Sandwell Council of Voluntary Organisations), bringing together a range of funding streams into a single grant agreement. With an aim that by bringing together fragmented funding into a single funding agreement, this would save time and money in terms of grant administration, provide greater stability for the SCVO staff team (leading to better services), and provide better awareness of the SCVO core funded offer. These changes should bring an independent and a fresh approach to how a number of Council wide grants are administered.</p> <p><b>Complete</b></p>
<p><b>Data Protection Act 2018 (incorporating the General Data Protection Regulation)</b></p> <p>A four-phase action plan has been approved by the Senior Information Risk Officer (SIRO) to ensure the</p>	<p>Council on 14 October 2019, appointed a new Data Protection Officer, as required by the DPA 2018. A revised project plan which is overseen by the refreshed Information Governance Board, has been developed to support the Council meet its DPA and GDPR obligations.</p>

<p>council is able to meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is being reported to the Council's Information Governance Board, which is chaired by the SIRO.</p>	<p>A new cloud-based learning package is being considered by ICT to ensure annual refresher training requirements for officers continues to be met and evidenced.</p> <p>Progress has been impacted due to Covid-19 resulting in the introduction of new ways of working and increased data sharing with partners, volunteers and redeployed staff. As such, there is potential that there may be breaches from non-routine requests for data sharing.</p> <p>In addition, there is a potential for an increased volume of Freedom of Information requests to be made in the future and challenges to decisions made during the emergency.</p> <p>Prioritisation of workloads has meant that activities to ensure compliance with retention policies has been delayed.</p> <p>A significant delay is expected to the council's Public Service Network application and certification and Information Governance Change Activities such as specialist training, necessary to embed the change from the Information Governance Framework will now take longer.</p> <p><b>Carry forward</b></p>
<p><b>Cyber Security</b></p> <p>Cyber Security remains a fast-moving issue and the Council needs to be proactive in managing, monitoring and reacting to the risk of on-going threats in order to:</p> <ul style="list-style-type: none"> <li>• protect its ability to deliver services, particularly critical services for a significant period of time,</li> <li>• prevent the loss of corporate and sensitive personal data (including bank details)</li> <li>• prevent enforcement action</li> <li>• reduce the risk of significant financial loss and reputational loss.</li> </ul>	<p>New cyber governance processes have been introduced including the Information Management Unit's representation on the Cyber Board and ICT The Council's Cyber Security &amp; Connectivity Services Team continues to monitor and ensure the infrastructure is updated to compliance levels.</p> <p>Within the ICT governance structure, service architecture managers are tasked with ensuring proactive patching takes place across technologies as well as providing a schedule to ensure security updates are promptly uploaded to all platforms.</p> <p>Additional security measures have been applied to email systems to enhance protection of messages to and from our public-sector partners.</p> <p>Quarterly cyber updates are presented to the Leadership Team.</p> <p>The Regional Cyber Security Working group established by Sandwell, discusses potential vulnerabilities and produce mitigation plans.</p> <p>The Technology Modernisation Programme started which will implement new governance and revised security settings to Office 365 and Azure, but due to Covid-19 this task has been re-prioritised.</p>



	<p>Procurement of a new e-learning product to encompass General Data Protection Regulations and cyber security awareness for all employees and councillors has been completed.</p> <p>Revised policies relating to email are being developed in conjunction with the Information Management Unit and ICT to ensure data retention and storage is done in the most appropriate and consistent manner across the organisation.</p> <p>Continued retirement of obsolete and unsupported technology platforms to reduce the Council's vulnerabilities</p> <p>The annual Local Government Association Cyber Security assessment recognised the work the council has undertaken and concluded an Amber-Green status.</p> <p>The Council's PSN certification continues to be in a deferred' status. At present this is not impacting the Council's operations and ability to work with other service providers and share resources, as the governing body recognises the challenges involved.</p> <p><b>Carry forward</b></p>
<p><b>School Place Planning</b></p> <p>The Council has a statutory duty to provide sufficient school places. The current focus is on secondary schools where an additional 660 places are required by September 2020. The Council is considering its options as to how to address this issue.</p>	<p>To ensure there are sufficient year seven places available for the academic year 2020-21, eight secondary schools have agreed to offer an additional 115 temporary places in lieu of the Department for Education (DfE) delivering the proposed "Chance Academy" free school (180 places per year), which will now not be opening until September 2023. Similarly, the council will need to identify a further 180 year seven places for academic year 2021/22 as the Council continues to manage the uncertainty around the DfE's delivery of both Chance Academy and the new "CBSO" secondary free school (150 places per year) planned for central West Bromwich, which again will now not open until September 2023 at the earliest.</p> <p>The Council will look to bring forward new places planned as part of its programme to expand existing schools to offset the delay, utilising future Basic Need allocations received from Central Government.</p> <p><b>Complete</b></p>

## Significant Governance Issues and Action Plan for 2019/20

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><b>Children's Services</b></p> <p>The contract between the Council and Sandwell Children's Trust required the service to be assessed as Requires Improvement by 2020. As a result of Covid 19, Ofsted has announced that full inspections will not take place until 2021. As such, a variation agreement has been drafted to enable the contract to be varied in this respect. The Council needs to continue to ensure appropriate governance arrangements are in place to provide assurance that improvements in the service continue to enable the terms of the contract and variation agreement with the Trust to be achieved.</p> <p>The Council also needs to obtain suitable and continual assurances that the Trust will operate within the financial envelope provided to it as detailed in the Trust's Medium Term Financial Strategy.</p>	<p>Executive Director Children's Services</p> <p>By the date of full Ofsted Inspection</p>
<p><b>Resilience of the Medium Term Financial Strategy (MTFS)</b></p> <p>The Covid-19 pandemic has had a significant financial impact on the current financial position of the Council in the form of both additional expenditure and a loss of income from various sources.</p> <p>Work with budget holders and within Finance teams has been completed and the Council has been able to set a balanced budget for 2021/22 through the use of one-off balances.</p> <p>The focus now will be on addressing the shortfall for subsequent years, which is made more difficult as the government has not provided councils the necessary clarity over future years funding to enable the Council to effectively prepare a medium term plan.</p> <p>The Finance team is working closely with all budget holders to identify and record financial pressures associated with Covid 19 (including additional costs of external service providers) in order to assess and report to senior management, members, the WMCA and government on the adequacy of the emergency allocation.</p> <p>The Finance team is working closely with the Service Improvement team to understand the Reset and Recovery process for the Council and ensure that the plans for Reset and Recovery are affordable within the financial resources that are likely to be available in the future.</p>	<p>Chief Finance Officer</p> <p>March 2022</p>
<p><b>Data Protection Act 2018 (incorporating the General Data Protection Regulation)</b></p>	<p>Director of Law and Governance and Monitoring Officer</p>

<p>A four-phase action plan was approved by the Senior Information Risk Officer (SIRO) to ensure the Council is able to meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is reported to the Council's Information Governance Board, which is chaired by the SIRO. The Covid-19 pandemic has impacted upon the delivery of this plan and changes to working practices have increased the potential risk of breaches occurring. The Council needs to ensure that any delays in implementing actions necessary to comply with GDPR are kept to a minimum. The revised deadline for compliance with the NHS Toolkit has been met and work continues to be progressed in relation to improving the management, storage and processing of personal data notwithstanding Covid-19.</p>	<p>June 2022</p>
<p><b>Cyber Security</b> This risk is impacted by Covid-19 to the extent that there is a heightened risk for cyber-attacks to take place during an emergency, as well as reacting to changes in working practices. The pandemic has resulted in a delay in implementing actions from the Technology Modernisation Programme due to re-prioritising workloads. As such, these issues will need to be monitored to ensure delays in implementation are minimised.</p>	<p>Head of ICT and Revenues &amp; Benefits March 2022</p>
<p><b>Governance Arrangements (Covid-19)</b> During the emergency response to Covid-19, a revised governance framework was put in place. As such, there is the potential for decisions being made at speed which may be challenged in the future should legal requirements around decision making not be met.</p>	<p>Director of Law and Governance and Monitoring Officer September 2021</p>
<p><b>Commonwealth Games Aquatic Centre</b> The Council is building a new state-of-the-art leisure centre which will also serve as the Commonwealth Games aquatics centre. The project is on target to be delivered on-time and within the identified budget, but given the scale of this project, the reputational importance, the multi-faceted nature of the stakeholders involved and the impact it has on Vision 2030, the project will require further sources of assurance to be considered and sought to ensure control measures are adequate and effective.</p>	<p>Project Director April 2022</p>
<p><b>Grants to Voluntary Sectors</b> The Council issues grants to the voluntary sector for various reasons and Sandwell Council of Voluntary Organisations (SCVO) also administers a grant programme on behalf of the Council. Assurance will be required that:</p> <ul style="list-style-type: none"> <li>• Approved applications are in accordance with the approved processes and have met the agreed criteria</li> <li>• There is an overview of all grants being paid out across the Council</li> <li>• All organisations have equal opportunity to apply for grants</li> <li>• Monitoring takes place to ensure outputs and intended outcomes are delivered</li> </ul>	<p>Director of Borough Economy Director of Housing Director of Finance March 2022</p>
<p><b>Inclusive Economy Deal</b> The Council has introduced its Inclusive Economy Deal which supports Vision 2030 and will drive forward jointly with residents, businesses and</p>	<p>Director of Regeneration &amp; Growth</p>

<p>the voluntary and community sector many interventions which will support the delivery of its ambitions. The deal is an informal agreement between the Council and everyone who lives or works in the borough, to work together to create a better Sandwell and deliver wealth for all, with the focus on the economy of Sandwell by developing joint interventions which will have a positive impact on the local economy and ensuring wealth creation is kept and shared within the borough.</p> <p>To bring the Inclusive Economy into practice the Council will:</p> <ul style="list-style-type: none"> <li>• Set up an Inclusive Economy and Community Wealth Board chaired by the Leader of the Council with representatives from residents, business and the voluntary and community sector.</li> <li>• Raise awareness of the Deal to the people of Sandwell and design an implementation process to achieve the commitments outlined.</li> <li>• Generate national interest and raise local awareness with residents, businesses, the Voluntary Community Sector and anchor institutions through a launch event.</li> <li>• Integrate the Deal among additional partners to ensure everyone in the borough is represented and committed to improving Sandwell.</li> <li>• Embed this Inclusive Economy approach into the corporate plan and deal-based strategies.</li> </ul>	<p>March 2022</p>
<p><b>Reset and Recovery</b></p> <p>The Council has had to adapt the ways in which it has worked to address Covid-19, not only in terms of ensuring that Sandwell's vulnerable residents have been supported alongside its businesses, but also in its governance arrangements.</p> <p>In addition to the impact on existing risks, the pandemic has resulted in new significant risks that affect the local economy, businesses, residents and Council services. These emerging risks are being identified and reviewed on a continual basis as the global and national picture of the crisis unfolds and the implications become better understood.</p> <p>Ongoing assessments of the disruption and consequences arising from the coronavirus pandemic are being carried out, resulting in the development of actions and updates of the relevant risk registers.</p> <p>A review will also be undertaken around the lessons to be learned from the response to the Covid-19 pandemic, including the identification of any improvement actions.</p>	<p>Director of Business Strategy and Change March 2022</p>
<p><b>Brexit</b></p> <p>The council's Brexit Lead Officer and the Brexit Working Group will continue to:</p> <ul style="list-style-type: none"> <li>• Ensure the council continue to take all reasonable steps to manage the impact of the UK's exit from the EU. This includes clear communication to local residents and businesses;</li> <li>• Oversee expenditure of the specific Brexit funding allocated to the council and ensuring it is effectively contributing to local preparations;</li> </ul>	<p>Brexit Lead October 2021</p>

<ul style="list-style-type: none"> <li>Engage in the Local Resilience Forum (LRF) to ensure that its plans take account of relevant local circumstances and potential impacts on local communities; and</li> <li>Bring together local public service providers, the voluntary and community sector, community groups and businesses to effectively plan for the local impacts of leaving the EU.</li> </ul>	
<p><b>Sandwell Land and Property</b></p> <p>There are a number of issues associated with Sandwell Land and Property Ltd (SLaP- a company wholly owned by the Council) that had not been corrected in the council's statement of accounts. Details of the issues in respect of SLaP are explained in the 2018/ 19 Statement of Accounts which were approved by the council's Audit and Risk Assurance Committee on 3 September 2020. Requisite actions necessary to address the identified issues and enable the company to be dissolved are being undertaken as the protection believed to be afforded by the transfer of land to the Company can be achieved in a more effective way.</p>	<p>Director of Law and Governance March 2022</p>
<p><b>External Audit Recommendations</b></p> <p>There are a number of high level recommendations made by the council's external auditors- Grant Thornton as a result of significant issues identified during the course of the 2019/20 audit. An action plan has been developed and is being implemented to address the significant issues and recommendations which include addressing issues in respect of:</p> <ul style="list-style-type: none"> <li>Improving the council's asset register and property database</li> <li>Property valuations</li> <li>Bank reconciliation and control over journals</li> <li>Debtors and debt provisions</li> </ul> <p>Regular reports on the progress made to fully implement the agreed actions will be presented to the Audit and Risk Assurance Committee during 2021/22.</p>	<p>Chief Executive March 2022</p>

## 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 Rajbir Singh**  
**Leader of the Council**



**David Stevens**  
**Chief Executive**

Date:

Date:

## Report to Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	Financial Management Code
<b>Director:</b>	Acting Director of Finance, Rebecca Maher
<b>Contact Officer:</b>	Finance Business Partner Narinder Phagura Narinder_phagura@sandwell.gov.uk

### 1. Recommendations

The Committee is requested to note:








- a) The Council's review of compliance with the CIPFA Financial Management Code and the associated action plan.

### 2. Reasons for Recommendations

- 2.1 In recognition of the financial pressures that Councils are facing, the Chartered Institute of Public Finance and Accountancy (CIPFA) has developed the Financial Management Code.
- 2.2 The intention of the Financial Management Code is to provide guidance to Local Authorities to create a culture of strong, sustainable financial management giving assurance that authorities are managing resources effectively.
- 2.3 The report is to inform the Committee of the contents of the Financial Management Code and the work that has been undertaken to assess and demonstrate compliance with the Code and the further actions to be taken by the Council to strengthen compliance.



### 3 How does this deliver objectives of the Corporate Plan?

	Best start in life for children and young people People live well and age well
	Strong resilient communities Quality homes in thriving neighbourhoods
	A strong and inclusive economy A connected and accessible Sandwell
	The FM Code requires the Council to demonstrate that the processes it has in place satisfy the principles of good financial management, which is an essential part of ensuring that the Council's finances are sustainable. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. Complying with the FM Code will help strengthen the framework that surrounds financial decision making and thereby assist and underpin the achievement and delivery of all the objectives of the Corporate Plan.
	
	
	

### 4 Context and Key Issues

- 4.1 The Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. It identifies risks to financial sustainability and introduces a framework of assurance.
- 4.2 The Code is based upon six core principles which have been translated in the Code into a number of Standards.
- 4.3 Complying with the standards set out in the Code is the collective responsibility of elected members, the Chief Finance Officer/ s151 Officer and the leadership team who also direct service managers and budget holders. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.
- 4.4 The broad headings of the CIPFA FM Standards in the Code which local authorities should comply with are:
- Responsibilities of the CFO and Leadership Team
  - Governance and Financial Management Style
  - Long to Medium Term Financial Management





- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

4.5 The Code sets out the minimum standards which must be adhered to for the Council to demonstrate its compliance with the FM Code.

4.6 The Code builds upon elements of other CIPFA codes, including the Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice, the Code of Practice on Local Authority Accounting and the Statement on the Role of the Chief Financial Officer, all of which the Council already complies with.

4.7 The Code has been influenced by the position local authorities are currently operating in, with rising demand for services, tightening fiscal landscape and decreasing financial resilience. The Council, as highlighted within the Medium Term Financial Strategy, has continued to experience financial challenges as a result of the same factors influencing the development of the FM Code. This makes compliance with the FM Code ever more imperative for the Council to ensure there is a strong foundation in which it can:

- Financially manage short, medium and long-term finances;
- Manage financial resilience to meet unforeseen demands on services;
- Manage unexpected shocks in financial circumstance such as the COVID 19 pandemic

4.8 The code applies to all local authorities. The first full year of compliance to the Code is 2021/22. However, CIPFA has reviewed this in light of the COVID-19 pandemic and the unprecedented impact this has had on local authorities. CIPFA has concluded that 'whilst the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that that adherence to some parts of the Code will demonstrate a direction of travel'.

4.9 In order to demonstrate conformity with the Financial Management Code's standards, the Leadership Team including the Chief Financial Officer/ s151 Officer has reviewed its current processes, procedures and governance arrangements to understand where the Council is already compliant with the standards. The Leadership Team has assessed the Council's compliance against the Code and given each criteria a rating.



This is shown in the table at page 5 of the document. This demonstrates that the Council is already meeting the majority of the Standards.

4.10 The review has also identified areas of non-compliance within the Council or where compliance is weak, with two areas rated as red. Actions have been identified to address this element as well as some additional actions to improve performance against other amber and green assessed areas. Overall, it is felt that the Council satisfies CIPFA's requirement to demonstrate a direction of travel towards full compliance of the Code during 2021/22.

4.11 The results of this self assessment will also be reported in the Annual Governance Statement 2020/21.

## 5 Alternative Options

5.1 The code applies to all local authorities. The first full year of compliance is 2021/22 and as such, there are no alternative options

## 6. Implications

<b>Resources:</b>	Whilst there are no direct resource implications arising from the report itself, any actions agreed to improve financial management may require suitable resources to be allocated which will need to be met from existing resources.
<b>Legal and Governance:</b>	The Code does not currently have any specific statutory backing. However, CIPFA reference that compliance with the Financial Management Code should be linked to the (s151) of the Local Government Act 1972. There is also an obligation upon members to adhere to the Financial Management Code.
<b>Risk:</b>	There are no direct risk implications arising from the report itself. If the Council is unable to demonstrate compliance with the Financial Management Standards then the Council will be unable to evidence good corporate governance and informed decision making and will need to report this in its Annual Governance Statement which is published with the Statement of Accounts.
<b>Equality:</b>	There are no implications for equality



<b>Health and Wellbeing:</b>	There are no health and wellbeing implications.
<b>Social Value</b>	There are no social value implications

## 7. Appendices

Appendix A – Financial Management Code Self Assessment

## 8. Background Papers

CIPFA Financial Management Code



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# Financial Management Code

May 2021



## Introduction

Good financial management is an essential element of the council's [Code of Corporate Governance](#) and longer-term service planning, which are critical in ensuring that the Council's local service provision is sustainable.

The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist the council in demonstrating and evidencing its financial sustainability.

## The Sandwell Vision 2030

The Council's Vision 2030 outlines ten Ambitions for the long-term future of the Borough of Sandwell.



The Council has developed its [Corporate Plan- The Sandwell Plan – Big Plans for a Great Place](#) that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions over the next five years, and is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, which reflects the culture of the organisation through strong leadership in an honest, open and transparent environment.

## OUR STRATEGIC OUTCOMES



The Sandwell Vision is at the heart of everything the Council does. This Code will contribute to the ambitions that make up the Vision by ensuring that a strong financial management framework is in place and underpins the activities of the council.

## Good Financial Management

Sandwell Council is committed to continuing to achieve good financial management and this Code describes how the Council intends to achieve this in an open and explicit way. The council has considered best practice and guidance, particularly the six core principles of the 'CIPFA Financial Management Code'.

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision

in which financial management is embedded into organisational culture.

- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The CIPFA Financial Management Code translates these six principles of good financial management into a series of standards. These standards are the minimum standards and address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved. The areas covered by the standards are:

1. The responsibilities of the Chief Financial Officer and leadership team.
2. Governance and financial management style.
3. Long to medium term financial management.
4. The annual budget.
5. Stakeholder engagement and business plans.
6. Monitoring financial performance.
7. External financial reporting.

## The Sandwell Position

Sandwell embraces the six principles and the seven areas covered by the Standards with clear lines of accountability for any decisions it makes, and clear rules, regulations, policies and practices which govern how financial management decisions are made and implemented.

## Responsibility for Financial Management

Responsibility for managing the Council's financial resources and for ensuring long term financial sustainability rests with those who are responsible for making executive decisions and their advisors. As such, financial management is not solely the responsibility of the Chief Financial Officer but also the responsibility of Leadership Team, Service Managers and Budget holders, Cabinet and Elected members.

## Putting the Principles into Practice in Sandwell

Sandwell Council is confident that its financial management arrangements are generally robust and effective in most areas. The Council recognises, however, that there is always room for improvement and progress, especially as the Council continues to evolve to deliver extensive change following the Covid 19 pandemic and to meet rising government and customer expectations about the quality and responsiveness of services.

### Monitoring, Review and Changes

The Council's commitment to good financial management includes the ongoing review and self assessment against this Code. The results of this review will be contained in the Annual Governance Statement which is reported to the Audit and Risk Assurance Committee and then published with the annual Statement of Accounts. The role of the Audit and Risk Assurance Committee is to understand the process undertaken to review financial management and to ensure that the self assessment against the Code and the Annual Governance Statement aligns with its understanding of the effectiveness of the Council's governance and financial management frameworks. The Committee is also responsible for obtaining assurances that the measures within the action plan to improve financial management are addressed and implemented.

Any significant changes that are required to this Code resulting from its review, will be submitted to the Audit and Risk Assurance Committee.



Councillor Rajbir Singh  
Leader of the Council



David Stevens  
Chief Executive



## Executive Summary

An initial detailed self-assessment of the Council's current standing against each of the Financial Management Standards has been carried out by the Council's Finance Team in conjunction with the Council's Section 151 Officer and the Leadership Team (see below).

In summary, the findings of the self-assessment against the 17 Financial Management Standards is as follows:

RAG rating	Degree of Compliance	Financial Management Standard reference
Green	Compliance is demonstrated	B, D, E, G, H, I, J, K, N, O, Q
Amber	Minor to moderate improvements are required to demonstrate compliance	A, C, F, P
Red	Significant improvements are required to demonstrate compliance	L, M

Further details on the key processes in place to demonstrate compliance with the Standards, the sources of assurances available that evidence compliance and the areas for improvement are set out in the table below.

## 1. The responsibilities of the chief financial officer and leadership team

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
<p>A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.</p> <p>B. The authority complies with the 'CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)'.</p>	<ul style="list-style-type: none"> <li>▪ To promote economy, efficiency, effectiveness and equity, decisions made by the leadership team where required, are subject to appropriate levels of review by the relevant scrutiny board</li> <li>▪ The Council has in place arrangements for external and internal audit. The external auditor confirms, as part of their annual audit opinion, whether the authority has in place suitable arrangements to secure value for money.</li> <li>▪ The Council has set out clear objectives and strategy based on local need as part of its Corporate Plan, which is approved by the leadership team. This corporate plan is underpinned by detailed service plans and strategies and an annual budget setting out how the delivery of the service plans will be funded.</li> <li>▪ Arrangements are in place for the commitment of expenditure</li> </ul>	<ul style="list-style-type: none"> <li>▪ <a href="#">Scrutiny boards</a> and the <a href="#">Audit and Risk Assurance Committee</a> meeting agendas and minutes.</li> <li>▪ All decision making reports include financial and risk implications sections which require sign off by Finance.</li> <li>▪ <a href="#">2019/20 Audit Findings Report</a> from Grant Thornton (the Council's external auditors) concluded that, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources, 'except for' children's services'.</li> <li>▪ <a href="#">Internal Audit</a> opinion for 2019/20 provides reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.</li> <li>▪ <a href="#">Corporate plan</a> approved by Cabinet 19 February 2020 and <a href="#">Medium Term Financial Plan 2020/21 to 2022/23</a> showing a balanced budget for 2020/21 and a level of free balances within the</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council has had a number of Ofsted monitoring visits over the past year, a full Ofsted inspection is not expected until 2021. The feedback from Ofsted on these inspections has been positive in some areas, particularly in terms of direction of travel, however evidence of measurable improvement is required to ensure the contract obligations between the Sandwell Children's Trust (SCT) and the council are met by achieving a rating of 'Requires Improvement' at the next full inspection. In addition, SCT need to be able to demonstrate that it can operate within the agreed MTFP.</li> </ul> <p><b>Director of Children and Education Services</b> <b>June 2021</b></p> <ul style="list-style-type: none"> <li>• Refresh of corporate plan</li> </ul>

## 1. The responsibilities of the chief financial officer and leadership team

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
	<p>and oversight of contracts.</p> <ul style="list-style-type: none"> <li>▪ Systematic approach to risk management in place at strategic/ corporate, directorate and project level which is regularly reported to the leadership team.</li> <li>▪ Regular review of service delivery via benchmarking, user surveys, peer reviews, efficiency reviews, external assessments such as Ofsted inspections and performance indicators (e.g. council tax and NNDR collection rates) are used to improve service operations where required.</li> <li>▪ The CIPFA Statement on the Role of the Chief Financial Officer (CFO) is reviewed annually to ensure compliance with the five principles.</li> </ul>	<p>prudent parameters set by the CFO.</p> <ul style="list-style-type: none"> <li>▪ Regular updates on the management of risks impacting the achievement of strategic priorities are reported to Leaders meetings and <a href="#">Audit and Risk Assurance Committee</a> meetings.</li> <li>▪ The outcome of the annual review of the self assessment of the compliance with the principles of the CIPFA Statement on the Role of the Chief Financial Officer is included in the published <a href="#">Annual Governance Statement</a> which is approved by the <a href="#">Audit and Risk Assurance Committee</a>. This confirms that the CFO is a key member of the leadership team; is actively involved in decision making; promotes good financial management; leads a suitably resourced finance team and is professionally qualified and suitably experienced.</li> </ul>	<p>in light of Covid 19 and new operating principles is required.</p> <p><b>Chief Executive October 2021</b></p> <ul style="list-style-type: none"> <li>• Contract monitoring and management to ensure goods or services delivered as agreed need strengthening in some areas.</li> </ul> <p><b>All of Leadership Team Ongoing</b></p> <ul style="list-style-type: none"> <li>▪ Review of compliance with the CIPFA Statement on the Role of the CFO as a result of the senior management restructure to ensure continued compliance.</li> </ul> <p><b>Director of Finance and Chief Executive December 2021</b></p> <ul style="list-style-type: none"> <li>• Introduction of a corporate performance management framework to help as a tool to determine the quality of</li> </ul>

## 1. The responsibilities of the chief financial officer and leadership team

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
			services the Council is providing and whether it is delivering and achieving its plan. <b>Chief Executive</b> <b>March 2022</b>

## 2. Governance and financial management style

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
<p>C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p> <p>D. The authority applies the 'CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)'.</p> <p>E. The financial management style of the authority supports financial sustainability.</p>	<ul style="list-style-type: none"> <li>Council applies the CIPFA/ Solace framework for governance and internal control which includes:               <ul style="list-style-type: none"> <li>- the <a href="#">Constitution</a> which provides clarity over the role of Head of Paid Service and Monitoring Officer;</li> <li>- a governance structure where the council has adopted the strong 'leader and cabinet' form of executive arrangement, where committees have agreed terms of reference and where conduct</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The <a href="#">Annual Governance Statement</a> summarises the governance framework in place across the council, compliance against the Council's Code of Corporate Governance and the sources which provide assurance on effectiveness.</li> <li>The Governance Programme Board.</li> <li>An annual risk based internal audit plan is approved by the Audit and Risk Assurance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Completion of a review of the Constitution which is currently underway  <b>Director of Law and Governance</b>  <b>During 2021</b></li> <li>Independent review of the self- assessment of Internal Audit's conformance with PSIAS required  <b>Director of Finance</b>  <b>December 2021</b></li> </ul>

## 2. Governance and financial management style

CIPFA standards that demonstrate good financial management

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard

The key sources of assurance Sandwell Council has in place to evidence compliance with the standard

Areas for improvement (Responsibility for action)

**Implementation date**

of meetings are guided by forward notification to stakeholders, an agenda published in advance and formal written minutes;

- a scheme of delegation that ensures that frontline responsibility for internal and financial control rests with budget holders with management roles.
- Officer and Member Codes of conduct in place as well as a Register of Interests
- [Ethical Standards and Member Development Committee](#) which promotes and maintains high standards of conduct and ethical governance by Members and co-opted Members of the council.
- Council's [Code of Corporate Governance](#) (which is reviewed regularly) sets out the Nolan Principles by which members and officers should conduct themselves and provides a clear framework for governance and internal control.

- [Internal Audit](#) opinion for 2019/20 provides reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.
- The Annual Governance Statement reports on the self assessment against CIPFA's Statement on the Role of Head of Internal Audit
- Financial Services service quality assessment completed by Directors and Service Managers in 2020/21
- 

- Finalisation and implementation of Financial Services Action plan to ensure continual improvement in service delivery to budget holders
- Director of Finance**  
**September 2021**

## 2. Governance and financial management style

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
	<ul style="list-style-type: none"> <li>• Statutory Officers Group meets weekly to consider any decisions required and any matters relating to governance and internal control.</li> <li>• The Council's Governance Programme Board attended by various senior officers is in place which reviews ongoing governance matters.</li> <li>• Ongoing monitoring of Government changes in policy or requirements which may impact finances.</li> <li>• Council has an Audit and Risk Assurance Committee which includes three independent members and operates in accordance with CIPFA's Position Statement on Audit Committees in Local Government and Police.</li> <li>• Partnership governance arrangements are in place for services where the council works in partnership with organisations, to ensure they are operating effectively.</li> </ul>		

## 2. Governance and financial management style

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement (Responsibility for action) <b>Implementation date</b>
	<ul style="list-style-type: none"> <li>Decision making requires reporting on the extent to which stakeholders have been consulted and also what alternative options have been considered and the appraisal of these options.</li> <li>Finance team sign off of decision making reports ensures strategic and operational input into plans and decisions.</li> <li>Budget holders receive financial management training to provide financial literacy and ensure cost effective services.</li> <li>Member development programme includes training on financial matters.</li> </ul>		

## 3. Medium to long term financial management

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement Responsibility for action Implementation date
F. The authority has carried out a credible and transparent	<ul style="list-style-type: none"> <li>CIPFA Resilience Index</li> <li>The Council's financial</li> </ul>	<ul style="list-style-type: none"> <li>The CIPFA Resilience Index shows the Council has a robust</li> </ul>	<ul style="list-style-type: none"> <li>Undertake a financial resilience assessment</li> </ul>

financial resilience assessment.

- G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- H. The authority complies with the 'CIPFA Prudential Code for Capital Finance in Local Authorities'.
- I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

performance and position is reported regularly and effectively to the s151 Officer and to the leadership team so that they understand what needs to be done to deliver it the financial plan, and what their personal responsibilities are for helping to deliver it.

- The Cabinet summits are used to review the savings required. The council has a good history of delivering against the savings targets. It has a clear plan in place for delivering savings for the 12 months ahead. The savings plan distinguishes between the savings which have been agreed and for which there is a clear delivery plan, the savings agreed in principle, but which do not yet have a clear strategy for implementation and those that are ideas / proposals and not yet agreed.
- The MTFP is updated each year and reported to Cabinet, although this is challenging in the absence of a multi-year settlement.
- The MTFP is updated as part of the budget setting process and includes an assessment of future resilience issues and level of

position in terms of reserves.

- Quarterly reports to Cabinet and Budget and Corporate Scrutiny Management Board on the financial performance of the Council.
- Annual external audit report 2019/20 is expected to provide an unqualified audit opinion (with an emphasis of matter) and an except for (children's services) value for money opinion. The audit did not identify any new value for money risks.

using different scenarios and identify associated risks

**Director of Finance**

**December 2021**

- Carry out benchmarking against which to compare income, activity and costs for the council's principal services.

**Leadership team**

**March 2022**

- Review the MTFP when further information on the Spending Review becomes available.

**(Director of Finance)**

**December 2021**

- Consideration of longer-term planning and financial planning for 10 years+

**Chief Executive**

**March 2022**

- Consideration of a risk register to support the MTFS

**Director of Finance**

**December 2021**

- Prepare a risk register for the MTFS

**Director of Finance**



reserves. The council is able to demonstrate that it has used its reserves only for investment in future activities or in the implementation of savings plans, rather than to plug funding gaps in the delivery of services.

- An agreed capital strategy is in place which is consistent with the MTFP. The capital strategy is produced annually and is reported to Cabinet and Council on a quarterly basis.
- The council prepares and agrees an annual budget that breaks down income and expenditure budgets for each service and budget holder. Budget holders are provided with regular reports on their performance against their budget allocations and any significant variations from budget, so that prompt action can be taken to address them.
- The Council produces the Treasury Management Strategy Statement that sets [prudential indicators](#) (in line with the Prudential Code which provides members with an outline of how investments and borrowings are to be organised in coming years, including an Investment Strategy and relevant indicators.

**October 2021**

#### 4. The annual budget

CIPFA standards that demonstrate good financial management

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard

The key sources of assurance Sandwell Council has in place to evidence compliance with the standard

Areas for improvement  
Responsibility for action  
Implementation date

- J. The authority complies with its statutory obligations in respect of the budget setting process.
- K. The budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.

- The CFO working with the Leadership Team, have a financial plan which is based on assumptions and shows how income will equal expenditure over the short and medium-term. Plans take into account deliverable cost savings and income strategies as well as useable reserves.
- The Council complies with its statutory obligations in respect of the budget setting process as set out in the Local Government Finance Act. A legal and balanced budget and corresponding Council Tax levels have been set by Council by the statutory deadline and assurance has been provided by the Chief Finance Officer regarding the robustness of estimates and adequacy of reserve levels
- The Chief Finance Officer's Report on the Robustness of the

- Annual [report to full council](#) setting out a balanced budget for 2021/22.
- Regular reports to Budget and Corporate Scrutiny Board on performance against the budget
- [Outturn report](#) to Cabinet for 2019/20

- Consideration of providing additional assurance on the Council's track record on the reliability of making estimates. For example, information on historical trends to support the estimates made, such as council tax collection rates in previous years

**Director of Finance**  
**October 2021**

Council's 2021/22 Budget (appendix D) was presented to full Council on 2 March 2021 alongside the MTFS, which contains statements on:

- The [robustness of the estimates](#) made for the purposes of the calculations of the budget; and
- The [adequacy of the proposed level of financial reserves](#)

- The Finance team constantly monitors the financial health of the authority.
- During the Covid 19 pandemic, the CFO and Finance team have worked with the Leadership team to identify solutions and provide a measured response to the financial pressures that have arisen as a result of the pandemic.

**5. Stakeholder engagement and business cases**

CIPFA standards that demonstrate good financial management

The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard

The key sources of assurance Sandwell Council has in place to evidence compliance with the standard

Areas for improvement  
 Responsibility for action  
 Implementation date

- |                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</p> <p>M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p> | <ul style="list-style-type: none"> <li>▪ Whilst there have been considerations to carry out a public budget consultation process, this has not taken place and may be more appropriate when there is additional certainty over the future funding for local government over the medium term (rather than one year settlements). This will then allow residents to consider priorities against a known limit.</li> <li>▪ The Council's corporate plan which is a medium term 5 year plan is being refreshed due to the seismic shift resulting from Covid 19 and to ensure the actions to deliver the corporate priorities are appropriate. A Stakeholder engagement plan was developed in early 2020 which included engagement around the budget and finances but to due to Covid dint take place. Some engagement has taken place since to assist informing the refreshed plan with members, partners and employees. However engagement with residents, businesses and schools around actions and financing has not taken place. Any actions to deliver the plan need to be considered alongside the</li> </ul> | <ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Appraisal briefing notes and reports compiled by the appraisal officer and appraisal panel respectively (dependent upon value of the project) prior to consideration by the Chief Financial Officer and prior to approval.</li> <li>▪ Ongoing performance monitoring to ensure chosen option continues to deliver value for money</li> </ul> | <ul style="list-style-type: none"> <li>▪ Stakeholder engagement to carry out budget consultation when there is clarity of future funding<br/><b>Chief Executive</b><br/><b>March 2022</b></li> <li>• Actions to deliver the corporate plan and development of performance measures against these to provide assurance on delivery against the corporate plan.<br/><b>Chief Executive</b><br/><b>March 2022</b></li> <li>▪ Whilst a full financial appraisal is carried out on the preferred option, the appraisal process or decision making reports do not necessarily provide a detailed and robust and balanced assessment of all of the options being considered before coming to an informed and evidence-based conclusion based upon the Council's objectives. As such, more detailed information should be provided where appropriate, on other</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

resources and budget envelope available and stakeholder engagement needs to take place with this in mind.

- Consultation carried out with businesses on the budget and the Council's financial strategy.
- All decision making reports require details of the alternative options to be noted, including details of the risks and benefits of each of the options and the reasons for the preferred option being clearly set out.
- Financial appraisals are undertaken for all capital projects, involving the construction, purchase or disposal of land and buildings, irrespective of funding stream as well as all external funding bids, where the council is being nominated to act as the Accountable Body or where the council owns the asset and the bid requires council resources or where there could be future revenue or capital implications for the council or cash flow implications.
- The documented [Appraisal procedure](#) provides guidance to officers as to when and how the appraisal should be undertaken

options considered in decision making reports setting out the risks and opportunities of each option and any peer reviews undertaken of the appraisal process.

**Director of Business  
Strategy and Change  
March 2022**

and provides the Council's decision-making bodies with assurances that resources are being utilised and managed effectively, with risks to the Council minimised.

## 6. Monitoring financial performance

CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement Responsibility for action Implementation date
<p>N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p> <p>O. The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</p>	<ul style="list-style-type: none"> <li>▪ The Council's Leadership Team receives monthly financial reports that provide appropriate information regarding current and projected outturn positions in respect of approved budgets for revenue and capital. In addition, quarterly performance reports are received by Budget and Corporate Scrutiny Board and Cabinet.</li> <li>▪ Variances are identified and explained in reports which assist the Leadership Team to agree actions that may be necessary to manage financial risk.</li> <li>▪ All decision making reports are signed off by Finance for the section on the financial implications to ensure that these are considered and any</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quarterly budget monitoring reports to Cabinet and Budget and Corporate Scrutiny Board including performance against use of reserves and key financial indicators and balance sheet risks.</li> <li>▪ The Council's external auditor's <a href="#">Audit Findings Report</a> 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Findings Report 2020/21 highlighted a number of areas of concern where there was scope for improvement. These were in respect of property valuations; the system for recording fixed assets; bad debt provisions and business rate appeals. <b>Director of Finance</b> <b>Ongoing</b></li> <li>• Consideration to be given to more detailed reporting on debt profile and progress on the delivery of savings targets. <b>Director of Finance</b></li> </ul>

	<p>associated risks to the financial sustainability of the proposals are managed.</p> <ul style="list-style-type: none"> <li>▪ The Council regularly reviews the balance sheet in the light of its financial strategy and its medium-term financial plan to identify and assess any aspects of it that continue to be critical to the successful achievement of its priorities.</li> <li>▪ Prevention processes are in place to manage financial risk including, a Treasury Management Policy; credit control policies and procedures; setting prudential indicators and policies on the use and level of its reserves.</li> <li>▪ Regular reports are provided to Cabinet setting out the performance against key financial performance indicators and prudential indicators.</li> </ul>		<p><b>March 2022</b></p> <ul style="list-style-type: none"> <li>• Monitoring of the potential financial impact of proposed changes to national policy and legislation.</li> </ul> <p><b>Chief Executive Ongoing</b></p>
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<b>7. External financial reporting</b>			
CIPFA standards that demonstrate good financial management	The key processes and arrangements Sandwell Council has in place to demonstrate compliance with the standard	The key sources of assurance Sandwell Council has in place to evidence compliance with the standard	Areas for improvement Responsibility for action Implementation date
P. The chief financial officer has personal responsibility	<ul style="list-style-type: none"> <li>▪ Preparation and submission of annual financial statements that</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Accounts 2018/19 and draft statement 2019/20</li> </ul>	<ul style="list-style-type: none"> <li>▪ For the last 2 years, whilst the draft Statement of</li> </ul>

for ensuring that the statutory accounts provided to the local authority comply with the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

Q. The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.

- comply with CIPFA's Local Authority Code of Practice is a key element of the CFO's role and annual performance management objectives.
- The Chief Financial Officer's responsibilities are set out in the 'Statement of Responsibilities' within the annual Statement of Accounts. This statement clearly sets out that the Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom
- The External Auditor's Report 2018/19 gave the external audit opinion that the financial statements 'have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19'.
- Outturn figures for the year are presented in a format that is clear, relevant, accurate, with analysis and explanations provided on variances for overspending and underspending.

- Self assessment of compliance against CIPFA's Role of the Chief Financial Officer
- Approval of accounts by the Audit and Risk Assurance Committee
- [Outturn reports](#) to Cabinet 2019/20

Accounts have been published within the relevant timescales, the final audited 2018/19 and 2019/20 accounts have not been approved within the timescales due to issues found by the External Auditors. Implementation of the recommendations made in the 2019/20 Audit Findings Report will assist in ensuring the 2020/21 accounts are finalised within the timescales.

**Director of Finance**  
**30 September 2021**





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## Report to Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	Internal Audit Annual Report 2020/21
<b>Director:</b>	Rebecca Maher Acting Section 151 Officer
<b>Contact Officer:</b>	Peter Farrow Audit Services and Risk Management Manager, <a href="mailto:peter_farrow@sandwell.gov.uk">peter_farrow@sandwell.gov.uk</a>

### 1 Recommendation

1.1 Review and comment upon the Internal Audit Annual Report 2020/21.

### 2 Reasons for Recommendation

2.1 To inform the Committee of the contents of the Internal Audit Annual Report for 2020/21, which also provides an opinion on the adequacy and effectiveness of the council's governance, risk management and control processes.



### 3 How does this deliver objectives of the Corporate Plan?

Internal Audit operates across the council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

### 4 Context and Key Issues

- 4.1 The main purpose of the report is to provide the Audit and Risk Assurance Committee and the Section 151 Officer with an opinion on the adequacy and effectiveness of the council's governance, risk management and control processes. The contents of the report also provide one element of the evidence that is required to underpin the council's Annual Governance Statement.
- 4.2 It summarises the audit work undertaken during the year in a tabular format. This includes:
- the areas subject to review during the year (Auditable Area)
  - the level of risk to the council assigned to each auditable area (high, medium or low)
  - the number of recommendations made as a result of each audit review
- details of other work undertaken outside of the original plan
- 4.3 Finally, it provides a summary of the key control issues that arose during the year that in the opinion of Audit Services should be brought to the attention of the Audit and Risk Assurance Committee and the Section 151 Officer.



## 5 Alternative Options

- 5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee of the Internal Audit Annual Report for 2021/22. As such, there is no alternative option.

## 6 Implications

<b>Resources:</b>	There are no direct resource implications arising from this report.
<b>Legal and Governance:</b>	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”</i> . These Standards have been adopted by the council’s internal audit section.
<b>Risk:</b>	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.
<b>Social Value</b>	There are no direct social value implications from this report.

## 7. Appendices

There are no appendices.

## 8. Background Papers

Internal Audit Annual Report 2020/21.



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# Annual Internal Audit Report - 2020/21



## 1 *Introduction*

1.1 Our internal audit work for the period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the council's governance, risk management and control processes. In this way, our annual report provides one element of the evidence that underpins the Annual Governance Statement the council is required to make within its annual financial statements. This is only one aspect of the assurances available to the council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by HMRC
- Other pieces of consultancy or third-party work designed to alert the council to areas of improvement
- Other external review agencies

As stated above, the framework of assurance comprises a variety of sources and not only the council's internal audit service. However, internal audit holds a unique role within a local council as the main independent source of assurance on all internal controls. Internal audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the council's risks and its overall whole control environment but also all sources of assurance. In this way, internal audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. Also, consideration of the Council's governance, risk management, ethics-related objectives programmes and activities, and the information technology governance is implicit in all internal audit activity.

1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards is:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter which is reviewed annually by the Audit and Risk Assurance Committee.

### *Overall assurance*

1.3 As the providers of internal audit to the council, we are required to provide the \*Section 151 Officer with an opinion on the adequacy and effectiveness of the council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Section 151 Officer is reasonable assurance that there are no major weaknesses in the council's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:



- All audits undertaken for the year ended 31 March 2021.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant or fundamental recommendations not accepted by management.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the council.
- The council's Strategic Risk Register and Assurance Map is regularly presented to directors and the Audit and Risk Assurance Committee

\* Section 151 of the Local Government Act requires the council to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs.

## 2 *Internal audit opinion*

2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year, 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, Internal Audit can provide **reasonable assurance** that the council has adequate and effective governance, risk management and internal control processes. However, please refer to the section below on "Issues that need addressing in 2021/22" for further details on a number of issues that the council faces and will need to respond to.

In reaching our opinion, the following factors were taken into particular consideration:

- We have had unfettered access to all records and employees during 2020/21.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed later in this report.
- While stand-alone reviews of governance and risk management are not undertaken, consideration of both these issues are implicit in all internal audit work. Similarly, assurance is gained from the regular review of the council's Strategic Risk Register as presented at meetings of the Audit and Risk Assurance Committee.

### **Issues that need addressing in 2021/22**

Throughout the year we did note a number of key control issues, either through our work or the work of other assurance providers that require addressing, as listed below.

#### *Internal audit – limited assurance reports*

While not fundamental to the overall control environment, from our internal audit work we gave a 'limited' rating in the following areas and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner:

- Day to Day Repairs
- Facilities Management and Roofing Contracts
- Boscobel TMO, Rents
- Council Rents
- Personal Budgets and Direct Payments

### *Delays in the Statement of Accounts*

There were significant delays in the completion and signing off of the 2018/19 Statement of Accounts. At the time this report was produced, the finalisation of the 2019/20 Statement of Accounts had encountered similar delays. The background to these delays were detailed in the External Auditors Audit Findings Report for the year ended 31 March 2020, as presented to the Audit and Risk Assurance Committee on 18 March 2021. This included a number of high level recommendations for which an action plan has been developed and is being implemented, in respect of:

- Improving the council's asset register and property database
- Property valuations
- Bank reconciliation and control over journals
- Debtors and debt provisions

It is important that these issues are addressed as soon as possible, and we understand that regular reports on the progress made to fully implement the agreed actions will be presented to the Audit and Risk Assurance Committee during 2021/22.

These delays in the finalisation of the Statement of Accounts, has resulted in similar delays in the production of the council's Annual Governance Statement, which then forms part of the Statement of Accounts. At the time this report was produced, the 2019/20 Annual Governance Statement was still being finalised and in effect remains 'live' until the Statement of Accounts are approved. This has then impacted upon the council's ability to prepare its 2020/21 Annual Governance Statement, which in itself would usually help inform this annual report.

In their Audit Plan for the year ending 31 March 2021 and as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors made reference to both a number of historic governance issues and governance over financial reporting resulting in these delays. Again, it is important that these issues are addressed as soon as practical.

### *Horizon scanning*

In the coming year there are a number of key issues that we believe will need a particular focus placed on them in order to ensure that the control framework in which they operate remains strong. These include the forthcoming sale of Providence Place, the transition of the council's e-business suite to Oracle Fusion, implementing the agreed actions to demonstrate compliance with the FM Code and a need to update the Disposal of Council Owned Land and Buildings Protocol.

### Internal audit's role in fraud investigations

During the year, a proportion of internal audit time was spent working with the Counter Fraud team on a range of fraud investigations. The outcomes of key investigations are reported where appropriate, separately to the Audit and Risk Assurance Committee through the regular Counter Fraud Update Reports.

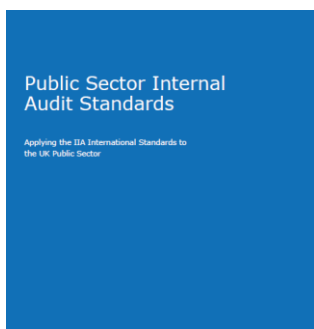
### Key risks the council faces

The key risks the council faces in delivering its outcomes are captured in a Strategic Risk Register which is updated as and when the risk profile of the Council changes and is reported to the Audit and Risk Assurance Committee on a regular basis.

### Covid-19

The impact of Covid-19 saw the Audit team working remotely throughout 2020/21 and thereby needing to adapt working practices where appropriate. The team also helped support a number of response activities, including assisting in the processing of business support grants, and providing an advisory role in any short term changes to the control environment.

## 3 Performance of the audit service



### Compliance with the Public Sector Internal Audit Standards

The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Assurance Committee. The quality assurance and improvement programme self-assessment has identified no major non-conformances with these standards and therefore the internal audit activity has conformed with the international standards for the professional practice of internal auditing. An independent validation of the self-assessment process will seek to be commissioned during 2021/22.

### Audit plans

Indicator	Actual
Audit Plan produced in advance of the year to which it relates (i.e. prior to 1 April 2021)	Yes. Approved by Audit and Risk Assurance Committee at its meeting in March 2021.

### Recommendations

Indicator	Actual
90% of 2020/21 recommendations accepted by council management (where a response has been received)	100%

### Relationships

Indicator	Actual
Feedback obtained from report recipients (target 4 out of 5)	4.6 (see table below for a detailed breakdown)
Satisfaction of Audit and Risk Assurance Committee members is good	No key issues have been flagged during the year

### Reviews by other agencies

Indicator	Actual
Consideration of internal audit work by external audit	No issues raised
Outcome of external reviews by other agencies	No such reviews for 2020/21

### Staffing

Indicator	Actual
% of Audit Services' employees professionally qualified (target 34%)	40 %

Customer satisfaction questionnaires accompany each planned audit. From the responses returned, the average scores were as follows:

Question	Average Score 2019/20	Average Score 2020/21
Usefulness of audit	4.7	4.8
Value of recommendations	4.6	4.7
Usefulness of initial discussions	4.6	4.6
Fulfilment of scope & objectives	4.8	4.6
Clarity of report	4.6	4.6
Accuracy of findings	4.8	4.7
Presentation of Report	4.6	4.6
Time span of audit	4.5	4.6
Timeliness of audit report	4.6	4.6
Consultation on findings/recommendations	4.5	4.6
Helpfulness of auditors	4.7	4.6
<b>Overall Satisfaction with Audit Services</b>	<b>4.6</b>	<b>4.6</b>

Scores range between 1 = Poor and 5 = very good. We have a target of achieving on average a score of 4 = good

#### 4 *Summary of work completed*

Where appropriate, a detailed written report and action plan is prepared and issued for every internal audit review. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation. If the recommendation is not accepted, this must also be stated. We are responsible for assessing whether the response is adequate.

#### *Audit reviews completed in 2020/21*

The following tables below list all the reports issued by internal audit during 2020/21, alongside their original Assessment of Assurance Need (AAN) risk score, the number and type of recommendations made, whether those recommendations have been accepted and an overall level of assurance for each review. Where appropriate each report we issue during the year is given an overall assurance opinion based on the following criteria:

Substantial	Satisfactory	Limited
A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.	A sufficient framework of key controls for objectives to be achieved but the control framework could be stronger, and controls are applied but with some lapses.	A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.

For school reviews, we use a different opinion statement to match the assurance categories awarded by Ofsted, which is based on the following:

Outstanding	Good	Satisfactory	Inadequate
Robust framework of key controls ensures objectives should be achieved and controls are applied continuously.	Effective framework of key controls ensures objectives are likely to be achieved and controls are applied but with some minor lapses.	Reasonable framework of key controls exists, but could be stronger to support achievement of objectives, with occasional breakdown in the application of controls.	Risk of objectives not being achieved due to the absence of key internal controls, with significant breakdown in the application of controls.

Summary of internal audit work completed for the year 2020/21

AAN	Assessment of assurance need rating
*	A response was not received prior to the school converting into an Academy. We later prepared a briefing note flagging a number of issues as part of a review of the conversion process.
NA	Not applicable, review outside of normal risk-based auditing approach/customer request etc.

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Reported at previous meetings of the Committee during the year:</b>							
Discretionary Housing Payments	N/A	-	1	1	2	2	Satisfactory
Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation)	N/A	-	-	-	-	-	N/A
Tusker Car Scheme and Mileage follow up	Medium	-	-	-	-	-	Substantial
Council Compliant Process	Medium	-	2	1	3	3	Satisfactory
Procurement Cards	Medium	-	4	-	4	4	Satisfactory
New Build Development Programme	Medium	-	2	1	3	3	Satisfactory
Housing Benefit Subsidy Claim Certification	N/A	-	-	-	-	-	N/A
Cotterills Farm TMO, Rents	Medium	-	-	2	2	4	Substantial
Accounts Payable	High	-	3	-	3	3	Satisfactory
Bank Account Changes follow-up	High	-	2	-	2	2	Satisfactory
Day to Day Repairs	Medium	1	3	-	4	4	Limited
Facilities Management and Roofing Contracts	N/A	2	4	-	6	6	Limited
Further Education Funding Grant	N/A	-	-	-	-	-	N/A
School's Financial Value Standard	N/A	-	-	-	-	-	N/A

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Reported at this Committee meeting for the first time:</b>							
Budgetary Control	High	-	-	2	2	2	Substantial
Accounts Receivable	High	-	3	-	3	3	Satisfactory
Main Accounting System	High	-	2	-	2	2	Satisfactory
Payroll	High	-	3	-	3	3	Satisfactory
National Non-Domestic Rates	High	-	-	-	-	-	Substantial
Council Tax	High	-	-	-	-	-	Substantial
Benefits	High	-	1	1	2	2	Substantial
Boscobel TMO, Rents	Medium	3	-	-	3	3	Limited
Rents, Council	High	1	6	2	9	*	Limited
Treasury Management	High	-	-	2	2	2	Substantial
Personal Budgets and Direct Payments	High	2	6	1	9	9	Limited
Riverside, Leaseholders	Medium	-	4	-	4	*	Satisfactory

## 5 *Key issues arising during the year*

**In our mid-year progress report to the Committee in February 2021 we have already reported back on the following:**

### *Council Complaints Process*

As part of our review we looked at the processing of 20 complaints through the system in use. We noted that in three cases a record of the response had not been recorded on the system. However, by further investigation we were able to confirm that the complaints had been responded to, just not recorded as so on the system. We recommended that all completed cases should be recorded accordingly. Also, in a further two cases while these had been recorded as resolved through telephone conversations, it was our view that all such instances should also be confirmed in writing.

### *Discretionary Housing Payments*

Discretionary Housing Payments (DHP) are an additional sum of money that can be paid if an applicant lives in Sandwell and receives Housing Benefit or Universal Credit (Housing Element) and requires additional help to meet their housing costs. DHP's can be paid regularly along with Housing Benefit based on a weekly basis or by lump sum. We noted that payment reports run from the system did not reconcile to the spreadsheet retained within the team highlighting the number of payments made. We understand that this was a timing issue, but noted that the transactional analysis report which substantiates these figures and would help reconcile these documents was not routinely retained. It was agreed that this report will now be retained, and these reconciliations are now regularly reviewed

### *Procurement Cards*

We undertook a review of the use of Council Procurement Cards, paying particular attention to the period following the outbreak of Covid-19, where as part of the emergency response a number of procurement cards had their limits temporarily increased. We noted that the recording of information onto the bank's Smart Data Online (SDOL) system which is used to upload information by the card holder and the budget holder to authorise the payments, had not always been undertaken in a timely manner. We also found occasions when goods were being purchased from external suppliers when there were contracts already in place with other suppliers. However, this was during the early period of the pandemic and we acknowledge that in certain cases, ease and speed of delivery was of particular importance. We also noted that in one case an officer had access to two procurement cards, when procurement card holders should be assigned their own individual card. Also, while there were some delays in reducing the increased limits back down to pre-COVID 19 limits, this had now been undertaken.

### *New Build Development Programme*

With proposals from Government to speed up the planning processes councils are exploring ways to increase house building within their areas. With over 6,000 people on the Council's Housing Register in Sandwell and 65% requiring properties with two or more bedrooms, additional affordable housing is needed across the borough. Our review noted that at the time there was no explicit overarching approach towards this programme. However, work was underway to produce this. We also noted that recommendations made in the projects financial appraisal report were not being pursued, and there had yet to be a detailed need and demand study in order to provide each area's demographic profile.



### *Accounts Payable*

An annual review of this key financial system was undertaken in order to confirm that appropriate controls were in operation over the council's payment systems and that payments were made in an accurate and timely manner. We noted that there were still areas within individual recommendations from our previous review where actions could still be improved. These were:

- While a spreadsheet was now in place to evidence any actions taken for duplicate payments, any potential overpayments made through Autopay could still potentially remain undetected or unresolved. However, as part of the development of the new system, the generation of a potential duplicate payments report will be included.
- Three credit notes from 2016 remained on hold and had not been used to offset against other invoices.
- There was no process in place to log the number and reasons for returned remittances where payments had been made against incorrect addresses. While there had been issues with regards to the developing of a database for this purpose, this requirement is being included as a requirement as part of the development of the new system.

### *Bank Account Changes - Follow Up*

Bank mandate fraud has been recognised nationally as a growing risk. We had previously undertaken a review into the processes in place within the Council when suppliers request a change in their bank account details. Our follow up review noted that two issues regarding the reconciliation of the number of changes made to the number of change forms received and the process for monitoring the access rights to ensure officers have the correct level of access to the system had yet to be fully addressed. We raised these with the relevant manager, and it was agreed that actions were being put in place to rectify this.

### *Day to Day Repairs*

An audit of the Council's day to day repair and maintenance procedure was undertaken. Housing and Communities engage with a number of external contractors to undertake repairs and maintenance of the council's housing stock to supplement the in-house work force.

Our review identified that:

- Expenditure incurred with each individual contractor was not being monitored in order to ensure that spend was within the estimated annual tender figure and budget, and on a number of occasions this had been exceeded.
- No provision within the original tender documentation sent to each bidder indicating that expenditure may exceed the annual tender sums against which compliant bids may be evaluated against.
- Consideration should be given to revising the price/quality ratio from 60/40 to 80/20 to ensure value for money is achieved, as there are very specific requirements already included with the specifications.
- There was no formal monitoring to ensure that primary contractors were initially contacted for each piece of work, before secondary contractors and in some cases more use was being made of secondary contractors.

### *Facilities Management and Roofing Contracts*

An audit was undertaken following issues regarding contractors undertaking emergency and reactive repairs through the Council's Framework Contract and processed through the Property Maintenance Account, in particular regarding roofing contracts.

We found a lack of adequate record keeping in order to evidence if emergency repairs were being undertaken within the priority timescales. As in our day to day repairs review, we also found the secondary contractors were being used on a more regular basis than primary contractors, without any clearly demonstrable evidence noting why.

### *School's Financial Value Standard (SFVS)*

It is a statutory requirement for each maintained school to complete and submit a SFVS. The standard consists of a checklist and a dashboard. The checklist asks questions of governing bodies in six areas of resource management. It provides clarification for each question, examples of good practice, and details of further support available to assist schools in addressing specific issues. The dashboard shows how a school's data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes. It provides explanations of each of the indicators and helps schools to fill in their data and understand the results. The standard helps schools and local authorities meet basic standards for good financial health and resource management. A sample of submitted standards were reviewed to assess whether the information provided was adequate. No issues of significance were identified.

**In OUR Annual Report we are now bringing the following matters to the attention of the Committee for the first time:**

### *Budgetary Control*

The General Fund Revenue Budget for the council is held on the General Ledger module of the Oracle Financial system. Central control of the budget is managed by the council's Strategic Finance team. Budgetary Control is a key financial system. Substantial assurance was provided and although we noted that the Financial Regulations had not been subject to a full review for some time, this was now underway.

### *Accounts Receivable*

The accounts receivable module is used to raise invoices. This includes residential care, trade waste, rents for market pitches, business properties and bereavement services etc. A review was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position. Our audit highlighted that recommendations made in the previous year had still to be fully implemented as the service area were having to prioritise workloads and support the payment of business grants. This included around 4,900 small business grants, 4,500 local restriction support grants, plus 11,000 Covid-19 and council tax hardship payments. The recommendations we made included:

- The council debt write-off procedure having been updated, still needed to be consolidated to include the housing rents write-off policy. This was on-hold awaiting the new legislation which came into force on 4 May 2021 'Breathing Space'. This is a debt respite scheme and will give those with debt problems the right to legal protections from their creditors.
- Full recovery action had yet to be taken on outstanding invoices relating to the Black Country Partnership NHS Foundation Trust which had since dissolved.
- Procedures need to be finalised on how the council deals with surplus funds accumulating from direct payments made to meet individual care needs. This was picked up in more detail within our Personal Budget and Direct Payment review.

### *Main Accounting System*

The Main Accounting System (MAS) for the council resides on the General Ledger module of the Oracle Financial system. It records and consolidates all the financial transactions carried out. Our audit involved a review of the key controls over the MAS, including reconciliations and suspense accounts.

Our review provided satisfactory assurance over the key controls in place. However, we did note two control issues as the January's cash reconciliation not being completed until March 2021 and the Procurement Team's contract register had not been updated since October 2020. It is understood that both these were as a result of staff absence during the respective periods and that they were both now up to date.

### *Payroll*

A review of the payroll process was undertaken to ensure that the council had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. Our review noted the following:

- A uniform documented process for overtime claims was not in place. As a result, there were inconsistencies in the approach and the level of management needed to authorise and verify overtime payments. It was agreed that a consistent process needed to be established across all areas and would be put in place.
- A comprehensive set of payroll procedures had not been established, which has created inconsistencies in approach and authorisation stages by both staff and management. We understand that this was due in part to the impending introduction of a new system which will require a revision to current working practices.
- Salary reconciliations had outstanding balances relating to direct debits dating back to 2018. As such, supporting information to clear balances may not be held and will need both Payroll and Finance to work together to resolve.

### *Council Tax*

A review of Council Tax was undertaken to ensure that records for council tax were being maintained and the billing and collection processes effectively applied, and no issues of significance were identified.

### *Benefits*

The Benefits Team process housing revenue and rent allowance claims. Claim details are held on the Northgate IWorld system, which calculates the amount payable. As part of their monitoring checks, the Benefits Team examine the validity of claims that are over £1,500. On the dates requested, reports could not be provided or easily obtained due to reports becoming archived/deleted after two weeks when checks had been carried out. As a result, it is difficult to track back as to what checks were carried out, or any issues found and remedied.

### *Boscobel Tenant Management Organisation, Rents*

A Tenant Management Organisation (TMO) is a means by which council tenants and leaseholders can collectively take on responsibility for managing the homes they live in. TMO's are an independent legal body and usually elect a tenant led management committee to run the organisation. Boscobel TMO has 115 properties for which it is responsible. While certain improvements had been made since our previous review, Covid-19 had delayed key recommendations being implemented including:

- The contract did not include any General Data Protection Regulations (GDPR) obligations within it and issues involving records management still needed resolving. As

a consequence, with the council being classified as the data controller any GDPR issues involving records management, could result in a liability for the council.

- All rent arrears work remained on the Boscobel system which should have been undertaken on the council's systems/software. As a result, at the time of audit confidential information could potentially be viewed by other tenants who were part of the TMO Board and as such in breach of GDPR regulations.

### *Rents, Council*

Key issues raised in our previous review of this area had also yet to be fully addressed. In the first three quarters of 2020/21 there continued to be a lack of detailed audit trail along with a single person dependency/lack of separation of duties and a lack of supervision. It is acknowledged that since the recruitment of two new officers in the later months of 2020 this had started to improve with training being provided by Finance for both officers. Key issues identified included:

- Cabinet approved that all new build properties should be charged 80% of the market rent, in line with Government guidelines. However, the valuations provided in the sample chosen were not consistent and ranged from 78% to 82%. As a result, a difference between the SHAPE Housing system and Homes England Information Management System was evidenced, which may have implications for the council in way of either fines or clawback.
- The monthly reconciliation of the housing stock held in the Housing Management system (SHAPE) system, continued not to be undertaken on a regular basis. As a result, there continued to be a risk that the housing stock database was potentially inaccurate. In addition, this was further evidenced when three demolished properties had not been taken out of charge on the system and a rent debit continued to be raised. As such this created an increased void loss to be held on the system and therefore inaccurate accounting being reported.
- There were differences when posting rent journals to the General Ledger from SHAPE and balancing to the information coming from Northgate, the Benefits System against the General Ledger. In 2018/19 this amounted to £28,362 and in 2020/21 as at the end of February 2021 a further balance of £87,750 was evidenced between the two reconciliations. It was considered that the differences were generated from changes in temporary accommodation, but this still required further analysis in order for it to be substantiated.
- There was no documented procedure for the three main rent reconciliations and up until August 2020 all three were undertaken by one person. Since December 2020 separation of duties was in place following the recruitment of the two new officers and training provided by the Finance Team.

### *Treasury Management*

A review of Treasury Management was undertaken to provide assurance that activities were carried out in accordance with council policy, maintaining an appropriate balance between liquidity, security and value for money. No issues of significance were identified.

### *Riverside, Leaseholders*

An audit of the administration of Leaseholders managed by Riverside as part of the PFI contract was undertaken. Riverside undertake the management and maintenance of approximately 1.200 council owned properties on the Harvills Hawthorn and Millfields Estates. The contract is for a period of 25 years and commenced in 2006.

As part of the council's contract with Riverside, method statements for each area of work are agreed each year. Any deviation from the contract/method statement could mean financial penalties could be imposed for non-compliance.

The review identified issues where improvements could be made, arising from the following:

- In line with the contract, consultations should take place with Leaseholders where planned work may impact on their property to help provide them with the opportunity to be involved. This also includes any planned work where work is not required to the leaseholders property but will be undertaken on other properties in the block. This is considered to be best practice however; no evidence was seen on the property files to show this had taken place.
- As part of the contract, advise should be offered to leaseholders who are experiencing arrears on their account, however for two leaseholders this service did not appear to have been offered.
- The leaseholder is also responsible for a reasonable part of the costs incurred in respect of a service and maintenance charge for carrying out repairs to the property and to the building. Estimated costs for a replacement roof on one block was £14,203 with each leaseholder's proportion being £3,551. However, this level of charge was not always invoiced to the leaseholders.

### *Personal Budgets and Direct Payments*

Personal budgets are part of a way of providing adult social care services and is the amount of social care money funded from the council to pay for a client's support, paid in the form of direct payments. A review was previously undertaken to provide assurance that personal budgets were being effectively administered. The original review identified issues which have been followed up as part of our latest review and which identified the following:

- The Resource Allocation System (RAS) is used to produce an indicative budget that the individual's care package should be based on. It was identified that in a number of cases reviewed, the indicative budget had to be significantly increased as the RAS was producing unreliable indicative budgets which did not always give a true reflection of the budget required and as such, is not considered to be fit for purpose.
- Financial reviews of an individual's account were not being completed at least annually, using a 'light touch' approach in accordance with CIPFA guidance, which had led to increased backlog. This issue was magnified due to the impact of Covid-19 as the undertaking of financial reviews was suspended. As a result, the backlog of reviews has increased.
- Information on the backlog of the financial reviews was not readily available. As such, management were not formally aware of the amount outstanding at any point and were therefore, not in a position to challenge it.
- There was no clear follow up/escalation process for cases referred to key workers/social workers following the conduct of a financial review that had identified potential financial mis-management by clients. Two cases that were examined during this review had been referred to a key worker/social worker with no adequate resolution on either occasion. And at the time of review the clients were still managing their own personal budgets.
- The extended periods between the completion of the financial reviews had contributed to any potential mis-management of accounts going unidentified. As such, there is a possibility of an increase in the financial impact, but more importantly, the issue that clients may not be receiving the necessary services or support identified in their support plan, which could impact upon their wellbeing.

- Formal feedback was not routinely provided to all clients at the end of the financial process. As such, they may not be formally aware of any recommendations for improvement over the operation of their direct payment account and the backlog of financial reviews could mean that large unidentified balances may be sitting in client's bank accounts.
- Support plans were not routinely signed by the client/representative or the council representative. Therefore, in such cases they are unable to demonstrate that they have in place a formal binding agreement, evidencing that both parties agree with their formal responsibilities as recorded in the relevant support plan.
- Documentary evidence was not retained as to why an individual is appointed to manage a direct payment on behalf of a client. As such, the council cannot demonstrate the process followed to evidence the appointment.

## **Audit Services also play a role in the following areas**

### *Annual Governance Statement*

We help in the preparation of the Annual Governance Statement which accompanies the council's Statement of Accounts and is produced to comply with the requirements of the Accounts and Audit Regulations. As part of this exercise, each director is required to complete and return a director's assurance statement to us and each Cabinet Member also completes an assurance statement.

### *CIPFA – audit committee updates*

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Assurance Committee.

### *Internal audit charter*

We undertake and present to the Audit and Risk Assurance Committee an annual review of the Internal Audit Charter. The latest version was presented and approved at the February 2021 meeting of the Committee.

### *Audit and Risk Assurance Committee – Terms of Reference*

We complete a regular review of the Audit and Risk Assurance Committee Terms of Reference. The last version was presented and approved at the September 2020 meeting of the Committee and the latest version will be reviewed prior to the 2021/22 year-end.

### *Internal Audit Plan 2021/22*

We submitted the Internal Audit annual plan for 2021/22 to the Committee for approval at the March 2021 meeting.

### *Audit and Risk Assurance Committee Annual Report*

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Committee.

### *West Midlands Contract Group*

We host a bi-annual group meeting attended by other West Midlands councils, with the purpose of discussing new issues within procurement and contract monitoring and the sharing of best practice.

### *Counter Fraud*

The council's Counter Fraud Unit sits within internal audit and is responsible for, amongst others, investigating assigned cases of potential fraud, running a series of raising fraud awareness activities and talking in part in all national anti-fraud initiatives and benchmarking activities. Full reports on the work of the Counter Fraud Unit and the relevant investigatory work undertaken by Internal Audit are presented separately to the Audit and Risk Assurance Committee.

#### *Wider client base*

Through a shared service arrangement, the Head of Internal Audit and where appropriate members of the audit team have a role in the delivery of internal audit services to:

- Sandwell Leisure Trust
- Sandwell Children's Trust
- West Midlands Fire Service
- City of Wolverhampton Council
- West Midlands Pensions Fund
- West Midlands Combined Authority
- Wolverhampton Homes

Each of these have their own Audit Committee, or equivalent, to which our work is reported.

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# Report to Audit and Risk Assurance Committee

29 July 2021

<b>Subject:</b>	CIPFA Audit Committee Update
<b>Director:</b>	Rebecca Maher Acting Section 151 Officer
<b>Contact Officer:</b>	Peter Farrow Audit Services and Risk Management Manager, <a href="mailto:peter_farrow@sandwell.gov.uk">peter_farrow@sandwell.gov.uk</a>

## 1 Recommendation

1.1 Review and comment upon the latest CIPFA Audit Committee Update.

## 1 Reasons for Recommendation

2.1 To inform the Committee of the contents of the latest CIPFA Audit Committee Update.



### 3 How does this deliver objectives of the Corporate Plan?

Internal Audit operates across the council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

### 4 Context and Key Issues

4.1 CIPFA produce a series of briefing papers to support public sector audit committee members and to provide a practical resource for those who support audit committees. The update is published approximately three times a year. Each one will include a main feature, together with pointers to new developments or guidance that audit committee members may need to be aware of.

### 5 Alternative Options

5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee of the latest CIPFA Audit Committee Update. As such, there is no alternative option.

### 6 Implications

<b>Resources:</b>	There are no direct resource implications arising from this report.
<b>Legal and Governance:</b>	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”</i> . These Standards have been adopted by the council’s internal audit section.



<b>Risk:</b>	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.
<b>Social Value</b>	There are no direct social value implications from this report.

## 7. Appendices

There are no appendices.

## 8. Background Papers

CIPFA Audit Committee Update



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Dear Rebecca,

## Sandwell Metropolitan Borough Council's Financial Statements for the year ended 31 March 2021

As part of our audit of Sandwell Metropolitan Borough Council's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in the Council's financial statements this year. We do this to maintain our understanding of Sandwell Metropolitan Borough Council and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by Wednesday 3<sup>rd</sup> March 2021 to help inform our risk assessment and planning of our 2020/21 audit of the Council's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely,

Grant Thornton UK LLP

**Property, plant, and equipment valuation estimate (including HRA Properties and Investment Properties)**

<b>Question</b>	<b>Management response</b>
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers. Make use of the relevant RICS and CIPFA Guidance.  No.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	Yes. The Council employs External Valuers to carry out specialised work (Eg Beacon valuations). Procured through the Council's contract procedure rules.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Review meetings with Valuers.  Discussions with Finance Teams  Valuations are undertaken at regular intervals and reviewed annually.  Impairments reviews are undertaken each year to inform the process.  Categorisation reviews are carried through the year to ensure the correct methodology is applied to each asset.  Review of Demolition and Insurance Reports.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes.  Discussions with Valuers and Experts employed.
8. Were any changes made to the key control activities this year? If so, please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	We don't at present. Not sure this is possible for valuations.
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#### Estimated remaining useful lives of PPE estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers. Make use of the relevant RICS and CIPFA Guidance.  No.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	Yes. The Council employs External Valuers to carry out specialised work (Eg Useful lives on component splits for Council Dwellings). Procured through the Council's contract procedure rules.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Review meetings with Valuers.  Discussions with Finance Teams  Valuations are undertaken at regular intervals and reviewed annually. Useful lives are updated on re-valuation.  Categorisation reviews are carried through the year to ensure the correct methodology is applied to each asset.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes.  Discussions with Valuers and Experts employed.
8. Were any changes made to the key control activities this year? If so, please provide details.	No.

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	We don't at present. Not sure this is possible for valuations.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	We don't at present. Not sure this is possible for useful lives.

### Depreciation and Amortisation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Finance Team. Make use of the relevant CIPFA Guidance.  No.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Finance Team.  No.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	No.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Depreciation based on useful lives provided by External Valuers which are reviewed by the Council's Internal Valuers and Finance Team.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so, please provide details.	No.



9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	We don't at present. Not sure this is possible for depreciation and ammortisation.

### Impairments estimate.

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Finance Team. Make use of the relevant CIPFA Guidance.  No.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.  No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	No.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Review meetings with Valuers.  Discussions with Finance Teams  Valuations are undertaken at regular intervals and reviewed annually.  Impairments reviews are undertaken each year to inform the process.  Categorisation reviews are carried through the year to ensure the correct methodology is applied to each asset.  Review of Demolition and Insurance Reports.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so, please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Rely on expert knowledge and experience of the Council's Internal and External Valuers.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	We don't at present. Not sure this is possible for PPE Impairment.

#### Measurement of Financial Instruments estimate.

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	Make use of an External Treasury Advisor.  Rely on expert knowledge and experience of the Council's Finance Team. Make use of the relevant CIPFA Guidance.  No.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	Make use of the relevant CIPFA Guidance. Also make use of an External Treasury Advisor.  No.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	Make use of an External Treasury Advisor.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	Yes. The Council employs an External Treasury Management advisor with specialised knowledge of this area. Procured through the Council's contract procedure rules.

6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Finance Teams meets regularly with the TM advisor.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so, please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Rely on expert knowledge and experience of the external TM advisor and the internal Treasury Management Team.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity analysis relating to interest rates are disclosed within the Financial Instruments note in line with the relevant CIPFA guidance and support from the TM External advisor.

**Provision for Liabilities estimate.**

<b>Question</b>	<b>Management response</b>
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	During the audit of the 2019-20 appeals provision the risk of not including an estimate of unlogged appeals (threats) was raised by audit. This was addressed by a full review of the methodology used to calculate a revised appeals provision for the final accounts. We involved both the Revs and Bens service and our external valuation experts Analyse Local in these discussions. Section 3 includes details of our revised basis of estimating our appeals provision.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	In producing the accounting estimate for the appeals provision we use reports provided by our external valuation experts Analyse Local. We then review these reports with the Revs and Bens service and the latest available actual appeals data to determine if any refinements are required to the calculation of our appeals provision. We also ask Revs and Bens for any other information that will assist us with determining if we need to include any other potential appeals not yet included within the Analyse Local reports.  No amendments have been made to these methods or models in 2020-21.

<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>Analyse local produce three reports. The appeals report includes the appeals that Analyse fell will be successful. We therefore include 100% of these as it is probable there will be an outflow of cash to settle these appeals. A check and challenge report includes all challenges lodged against the 2017 ratings list. We use data from Analyse Local that currently shows an average of 74% of challenges results in a change to the RV rating. The unlodged appeals (threats) report includes accounts that may put in a check, challenge or appeal but may never. Data from Analyse Local shows that 37% of these threats are likely to progress to the check and challenge stage. At the end of 2020-21 we will obtain the most up to date information to determine the percentage of both challenges and threats to include within our provision.</p> <p>The above assumptions were used for our final 2019-20 accounts. Our draft accounts included 100% of challenges and 0% of threats. A review was undertaken at the request of audit and this resulted in the above assumptions being made for the appeals provision in the final accounts.</p> <p>We do not plan to make any changes for the 2020-21 accounts.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>In producing the accounting estimate for the appeals provision we use reports provided our external valuation experts Analyse Local.</p> <p>There have been no changes to this source data in 2020-21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>The appeals provision uses information provided by our external valuation experts Analyse Local.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Information used in our appeals provision is provided by Analyse local but is reviewed by both the Revs and Bens service and finance.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>We believe that there are adequate controls in place over the calculation of the appeals provision. Reports are provided by Analyse Local, our valuation experts. These are reviewed by appropriate offers within the Revs and Bens service who will recommend any exclusions or additions to the reports. Finance will also review the reports and discuss any amendments with Revs and Bens. The final value of the provision will be agreed by the Revs and Bens Service Manager and the Finance Manager.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>No changes are planned this year.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>We assume that all lodged appeals will result in an outflow of cash. For those appeals at the check and challenge stage and unlodged appeals (threats) we use actual appeals data from Analyse Local (detailed in section three) to determine the probability of a cash outflow and the proportion to include within our appeals provision.</p>

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>We believe that the unlogged appeals provides the most uncertainty with regards to future appeals costs. The threats report includes accounts that may put in a check, challenge or appeal but may. The total value of this report is currently £9.8m. Following the methodology detailed in section three we have included £2.9m in our appeals provision and excluded £6.9m which we consider material. We therefore provided sensitivity analysis of the impact of the £6.9m not included within our appeals provision and intend to do the same in the 2020-21 accounts.</p>
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**Bad Debt Provision estimate.**

<b>Question</b>	<b>Management response</b>
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>During the audit of the 2019-20 Council Tax bad debts provision audit questioned whether our provision for bad debts was overstated. We involved the Revs and Bens service in these discussions. Section 3 includes details of our revised basis of calculating our council tax bad debts provision. This may be adjusted in 2020-21 for one year only to reflect the impact of Covid 19 on bad debts.</p> <p>Our NNDR bad debts provision will be impacted by Covid 19. This risks has been addressed by regular meetings between finance and the Revs and Bens service to assess the impact on collection and bad debts.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>We undertook a full review of the calculation of the council tax bad debts provision and a new method taking account of the reduction in debts outstanding over the previous ten years has been agreed and will be used in calculating the council tax bad debts provision in 2020-21</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>The council tax provision for bad debts was previously calculated for a number of years based our provision on 1% of the billable value for years one and two and 100% of debts outstanding for years three onwards. We have now agreed a new method of calculating the provision for bad debts in 2020-21. Each financial year will take account of the percentage reduction in bad debts in previous years. After ten years 100% of debts outstanding will be written off.</p> <p>The NNDR bad debts provision is based on bad debts written off in the previous year adjusted for any issues that will impact on the collectability of debts. An allowance was made for Covid 19 in 2019-20 and the bad debts estimate will also reflect Covid 19 in 2020-21 but we will try to improve the accuracy of this estimate using actual payment data gathered by the Revs and Bens service during 2020-21.</p>

<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>Source data for the council tax and NNDR bad debts provision is the debts outstanding and is taken from the SBS system.</p> <p>No changes are planned for 2020-21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>Specialist knowledge from both the Revs and Bens team and SBS systems team are used.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>SBS system controls are used and the data is reviewed for accuracy by both the Revs and Bens service and finance.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>We believe that there are adequate controls in place over the calculation of the council tax and NNDR bad debts provisions. The accuracy of the provision is reviewed by both the Revs and Bens service and the final value of the provision will be agreed by the Revs and Bens Service Manager and the Finance Manager.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>No changes were made during 2020-21.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The council tax bad debts provision now uses a new method taking account of the percentage reductions in bad debts over previous years. This spreadsheet can be rolled used each year with updated data and amendments can be made to reflect uncertainty from one off issues like Covid 19.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The new method of calculating the council tax bad debts provision can be amended to show the change in bad debts provision for a range of changes to the percentage of debts repaid in one of more prior years.</p>

#### Accruals estimate.

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Accruals estimates aren't processed. All accruals are processed using actual data where they are appropriate.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?</p>	<p>N/A</p>

3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	N/A
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	N/A
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	N/A
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	N/A
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	N/A
8. Were any changes made to the key control activities this year? If so, please provide details.	N/A
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

**Non Adjusting events – events after the balance sheet date estimate.**

<b>Question</b>	<b>Management response</b>
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Covid-19 and the global pandemic is ongoing and is affecting the valuation of shares held in Birmingham Airport. The risk associated with this is a global issue and as such cannot be addressed by Sandwell individually.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	N/A

3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?	N/A
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?	N/A
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?	N/A
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	N/A
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?	N/A
8. Were any changes made to the key control activities this year? If so, please provide details.	N/A
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

**Pension Fund (LGPS) Actuarial gains/losses estimate.**

<b>Question</b>	<b>Management response</b>
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks were identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so, what was the reason for the change?	The accounting estimate is provided by the WMPF as calculated by the Actuary.  The actuarial method used is consistent with previous years.



<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so, what was the reason for the change?</p>	<p>The assumptions used in relation to the accounting estimate are based on the information that is contained in the actuary report.</p> <p>There were no changes in the assumptions used.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so, what was the reason for the change?</p>	<p>The source data used in respect of the accounting estimate is provided in the Actuary report.</p> <p>There were no changes made to this source data.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so, how were these specialist skills procured?</p>	<p>Via the actuary appointed by WMPF.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>By year on year comparison of estimates to ensure any material changes in valuations can be fully explained &amp; by regular discussion with the WMPF.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so, how is the robustness of the key controls assessed?</p>	<p>Management's opinion is that there are adequate controls in place over the calculation.</p> <p>By year on year comparison of estimates to ensure any material changes in valuations can be fully explained &amp; by regular discussion with the WMPF.</p>
<p>8. Were any changes made to the key control activities this year? If so, please provide details.</p>	<p>None</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>By year on year comparison of estimates to ensure any material changes in valuations can be fully explained &amp; by regular discussion with the WMPF.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>By year on year comparison of estimates to ensure any material changes in valuations can be fully explained &amp; by regular discussion with the WMPF.</p>

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