

Annual Governance Statement 2018/19



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 or can be obtained from the Council offices, Sandwell Council House, Freeth Street, Oldbury, B69 3DE. This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement to accompany the statement of accounts.

The Purpose of the Governance Framework

The Governance Framework 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 2019 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. This Framework is consistent with the seven core principles of the CIPFA/ SOLACE framework. Key elements of Council systems and processes form part of the Council'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"> • Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> • Annual review of the Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Corporate and Directorate business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk-register and assurance map • Scrutiny arrangement • Codes of conduct • Schemes of delegation • Partnership framework • Standards and Member Development Committee • Audit and Risk Assurance Committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC) • HR Strategy • Business planning and performance management framework • Learning and Development Plans • Communication Strategy • Confidential Reporting Code (Whistleblowing Policy) • Counter Fraud and Corruption Strategy • Customer Services system • Information Governance Framework • Executive Management Team, Cabinet Member and directors' assurance statements • Procurement and Contract Procedure Rules and Financial Regulations • Committee management information system (CMIS) 	<ul style="list-style-type: none"> • Statement of Accounts • External Audit- Report to those charged with governance (ISA 260) Report • Annual Internal Audit Report • Audit and Risk Assurance Committee Annual Report • Review of the Effectiveness of Internal Audit • Annual and periodic Reports to the Ethical Standards & Member Development Committee • Member and Executive Development Programmes • Ofsted – monitoring visits • LGA Corporate Peer Review follow up January 2019 • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual Fraud Report • Director of Public Health Annual Report • Sandwell Safeguarding Children's Board Annual Report • Sandwell Safeguarding Adult's Board Annual Report • Scrutiny Annual Report • PSN certification • Investors in People • Employee engagement survey • Ofsted inspection of Children's Services • Planning Committee Annual Report • Corporate Parenting Board Annual Report • Sandwell Leisure Trust Annual Performance Report 	<ul style="list-style-type: none"> • Children's Services • Resilience of the Medium Term Financial Strategy • Compliance with Contract Procedure Rules and Allocation of Grants • Data Protection Act 2018 (incorporating the General Data Protection Regulation) • Cyber Security • School Place Planning

	<ul style="list-style-type: none"> • Select Committee for Leisure Provision • Information Governance Board • Strategic Partnership Board • Operational Partnership Board • Improvement Board • Electoral Participation Select Committee • Sandwell Sport and Leisure Built Facilities Steering Group • Commonwealth Games 2022 Steering Group • Standards Working Group 		
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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 2018/19 or after the year end but prior to this statement being finalised include:

- The Sandwell Children's Trust went live on 1 April 2018. The Trust delivers children's social care services for the Council, with the statutory duty remaining with the Council. The Trust has day-to-day operational independence in the management and delivery of these services and is managed by a board of non-executive and executive directors.
- During the year the Leader of the Council stepped down from the role and was replaced on an interim basis by the Deputy Leader, with a new Leader being formally elected at the Full Council meeting held on 5 March 2019. Following this, a further new Leader was elected following the May 2019 local elections.
- On 3 July 2019, the council's Chief Executive resigned. The responsibilities of the role are being carried out by the Interim Chief Executive.
- A number of standards matters in relation to member conduct were concluded in 2018.
- 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.
- A new member Development Programme has been devised and implemented that focuses on the development, learning and support needs of Elected Members.
- There have been permanent appointments to the post of Director of Regeneration and Growth and Director of Public Health and the Leadership Team is now complete.
- A Sandwell Sport and Leisure Built Facilities Strategy Steering Group and a Commonwealth Games 2022 Steering Group were set up in May 2018 to consider the current leisure provision in Sandwell and the establishment of an aquatic centre for the Commonwealth Games.
- An Electoral Participation Select Committee was established in May 2018 to consider electoral registration and participation in Sandwell with a view to increasing it.
- The Information Governance Board has been established and has a key role in ensuring compliance with the Data Protection Act 2018 (incorporating the General Data Protection Regulation).

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. The Council is also able to confirm no key non-compliances with the Public Sector Internal Audit Standards.
- Internal Audit has concluded that based on the work undertaken during the year, on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.
- A number of outstanding standards investigations were completed during the year and these were reported to the [Ethical Standards and Member Development Committee meeting on 28 September 2018](#).
- During the year, Member and Executive Development Programmes have been developed that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective.
- The Council's external auditors Grant Thornton are auditing the Statement of Accounts for 2018/19 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.



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

- The Council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.



- The Code is based on five principles and having considered these, the Council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

- The Council's Anti-Money Laundering Policy was updated to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and included the introduction of a reduced cash limit from £8,000 to £2,000, identifying nominated officers to assist the Anti-Money Laundering Reporting Officer with their duties, and increasing staff awareness on the importance of carrying out due diligence enquiries and reporting concerns of money laundering.

- 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 went 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.

- In the Trust's Statement of Internal Control as published in their 2018/19 Annual Report and Financial Statements, it was noted that the Internal Auditors provided reasonable assurance that the Trust had adequate and effective risk management and internal control processes. An opinion on the adequacy and effectiveness of the Trust's wider governance processes will be provided following the second year of the Trust's operations.

- In January 2018, the Council participated in a Local Government Association Corporate Peer Challenge. The review made 12 recommendations in areas including strengthening the arrangements for partnership working to deliver the Vision 2030; strengthening the influence the Council has beyond the borough boundary and across the region; the Council's approach to long term financial planning; leadership team development; conducting a governance review and the development of town plans. A follow up visit was made in January 2019 and reported that significant progress had been made against the recommendations made.



- In November 2018, the Council conducted an employee engagement survey to understand how employees felt about their jobs and working for the Council. The survey achieved a response rate of 63% and achieved an employee engagement index of 70%, a 5% increase on the previous survey.

Opinion for 2018/19

We have been informed by the sources noted above on the result of the review of effectiveness of the Governance Framework, that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2017/18 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness is included below. Where sufficient progress has not been made, the issues and outstanding actions have been carried forward and included in the 2018/19 issues.

Progress of the Governance Issues from 2017/18

The table below describes the governance issues identified during 2017/18 (which were reported in the 2017/18 Annual Governance Statement) and the progress that has been made against the implementation of actions to address these issues, during 2018/19.

Key Area for Improvement	Update on Position and Implication for the 2018/19 Annual Governance Statement
<p>Children's Services Sandwell Children's Trust went live on 1 April 2018, the Council still has the statutory responsibility for children's services. The Trust has been contracted to develop children's social care so that it is rated requires improvement by 2020 and good by 2022.</p>	<p>The Trust is working with a multi-agency Improvement Board which oversees progress against the 17 recommendations for improvement which came from the Ofsted inspection in January 2018. The Board was chaired by the CEO of Doncaster Children's Trust, from April 2018 to January 2019 and the Department for Education (DfE) has appointed a new independent chair who took up the role in May 2019. The Improvement Plan is being updated.</p> <p>A robust performance management framework is in place.</p> <p>An Operational Partnership Board has met monthly since April 2018 to monitor the Contract between the Council and the Trust. Additionally, a Strategic Partnership Board has met quarterly. Both Boards are providing effective support and challenge.</p> <p>The Chair of the Trust Board has attended two meetings of the council's Education and Children's Services Scrutiny Board. A full review of the first year of operation will be presented to the Scrutiny Board in September 2019 prior to a report to Cabinet in October 2019.</p> <p>Regular Ofsted monitoring visits have recognised that progress is being made "from a low base". In addition, these visits have noted that staff were responding to a clear vision for improvement and the Trust was recognising where it needed to improve its services.</p> <p>The Youth Offending Service, delivered through the Trust, was inspected in September 2018 and rated 'good' and Adoption Services were inspected in January 2019 and rated as 'requires improvement'. However, the inspection of Fostering Services continues to be inadequate.</p> <p>Carry forward</p>

Resilience of the Medium Term Financial Strategy (MTFS)

Council approved a balanced budget for 2018/19, but savings of £6.5m for 2019/20 and £6.4m for 2020/21 were needed. Projects were to be established to deliver the savings required.

In addition, work was to continue in the implementation of the vision for the Council for 2030 and the development of a new Performance Management Framework to replace the scorecard, which will measure progress against the vision and outcomes achieved.

The majority of services across Sandwell ended the 2018/19 year in surplus and have carried forward combined surpluses of approximately £22m to future years.

A balanced budget for 2019/20 was approved by Council on 6 March 2019.

In the medium-term, there remain significant uncertainties and lack of clarity over local government funding and plans for 2020/21 and beyond. The Fair Funding Review announced by government will assess and update spending needs and tax raising capacities and set new baseline funding allocations for local authorities with a view to transitioning to the new system from April 2020. Current funding forecasts for 2020/21 and 2021/22 show a cumulative shortfall of £5.5 million.

A budget challenge group has been established, which comprises all directors and meets monthly to discuss the medium-term budget and to identify and assess options for increased income generation.

The other major risk to the resilience of the budget strategy remains the financial implications of increasing demand in Children’s Social Care.

In the January 2019 follow up, the peer review team reported that ‘Vision 2030 is embedded within the Council and has empowered staff’. It noted there should be a continued focus on ‘a route map for delivery, alignment of resources and measures of success to support the realisation of aspirations’. To this end, a borough wide conference to take forward Vision 2030, is taking place in July 2019.

Carry forward

Land Sales and Other Matters

There were a number of ongoing matters relating to land issues and other matters.

A new protocol for the disposal of Council owned land and buildings is being embedded into the Council’s processes. Included within this is the Land and Asset Management Committee which is working well and is supported by an officer group. All land sales and leases within delegated authority are signed by both the Executive Director of Neighbourhoods and the Director of Regeneration and Growth.

Work on assessing compliance with the new protocol for the disposal of Council owned land and buildings will be ongoing.

A number of standards investigations have been completed and were reported to the Ethical Standards and Member Development Committee meeting on 28 September 2018.

Complete

<p>Compliance with Contract Procedure Rules and Allocation of Grants</p> <p>Three limited assurance internal audit reports were issued on Grants within Neighbourhood Services, Grot Spot Funding and Off Contract Spend within Grounds Maintenance and Parks and Green Spaces. A comprehensive review of Neighbourhood Services, considering the findings of the audit reports was undertaken and an action plan developed to address these matters.</p>	<p>Off contract spend is monitored at six monthly intervals across Housing and Communities. Reports are provided to the director and all service managers. These reports are discussed and monitored at senior management team. The amount of off contract spend has reduced significantly in this area.</p> <p>New procedures have been implemented for the differing grants/funding with senior officers having sign off responsibility and member consultation taking place. Additional resources have been put into the team to ensure a stronger focus on monitoring and spot-check audits are being undertaken. A compliance audit against the ISO procedure has been completed and 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 worked upon and Audit Services are currently finalising their follow up review.</p> <p>Carry forward</p>
<p>Business Continuity</p> <p>To ensure that the Council has in place a framework for its business continuity planning arrangements, to ensure that it is able to maintain the delivery of critical services in the event of an emergency.</p>	<p>All business continuity plans, and emergency plans are now being reviewed on an annual basis. The Resilience Unit has developed and delivered/ scheduled training sessions/exercises for all directorates to ensure the business continuity service plans in place are fit for purpose and that service managers/managers are familiar with them.</p> <p>A large multi-agency exercise took place on 8 March 2019 which involved testing some of the emergency plans.</p> <p>Complete</p>
<p>Data Protection Act 2018 (incorporating the General Data Protection Regulation)</p> <p>On 25 May 2018, the new Data Protection Act 2018 came into force which is a direct replacement for the Data Protection Act 1998 and applies to all public and private bodies in the United Kingdom. GDPR has been incorporated into domestic legislation through the 2018 Act. The Act applies to the collection and processing of personal and/or sensitive personal information. Non-compliance could result in fines of up to £17million.</p>	<p>Specialist Information Governance support has been secured and a diagnostic exercise undertaken to review the work to date and determine what other actions are required to ensure the Council's information governance arrangements are robust.</p> <p>The Information Governance Board has been refreshed and a revised action plan devised and agreed by the Executive Management Team.</p> <p>The diagnostic also considered requisite actions required to ensure Elected Members understand their information governance duties and obligations.</p> <p>The outcome of this diagnostic process has resulted in a four-phased action plan being developed, that monitors and manages all information governance activities from November 2018 through to March 2020.</p> <p>A new Information Governance Project Team, chaired by the Director of Law and Governance and Monitoring Officer (and Senior Information Risk Owner (SIRO)), has been established to support the Information Governance Board and manage the activities falling within the four-phase action plan.</p> <p>The Council has taken requisite steps to ensure compliance with the NHS Toolkit on information governance and a</p>

	<p>successful submission was made as required ahead of the 31 March 2019 deadline.</p> <p>Carry forward</p>
<p>Cyber Security</p> <p>The Council has undertaken an exercise to assess itself against the “10 Steps to Cyber Security” to ensure it has a co-ordinated approach and understanding of its existing cyber security controls or those available to it. The review highlighted areas where the Council required improvement.</p>	<p>The redesign of ICT services now includes a Cyber Security & Connectivity Services team. The Team Manager will be responsible for monitoring incoming cyber security threats and ensuring our infrastructure is well maintained.</p> <p>All service architecture managers responsible for ICT technologies, are establishing a proactive patching and update schedule to ensure security updates are promptly uploaded to all platforms. As part of the Citrix improvement plan, the technology was recently patched to the latest version.</p> <p>The Windows 10 refresh programme was completed in December 2018 ensuring non-Citrix users were deployed with new devices with enhanced security measures.</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>Sandwell ICT has established a regional Cyber Security Working group to collectively discuss potential vulnerabilities and produce mitigation plans.</p> <p>ICT is a member of the new Information Governance Project Team (as well as already being a member of the Information Governance Board) and will provide updates and seek approval on security concerns.</p> <p>Governance and Business Support Services within the Law and Governance Directorate lead on the e-learning packages for raising awareness of cyber security and general data protection regulations which was completed by over 95% of council based staff prior to the year end as required.</p> <p>There is a suite of organisational policies and procedures which outline to employees of the Council the appropriate ways of managing information and computer systems. This will be supported by the procurement of an e-learning software tool which will allow the roll out of training to all staff quickly, timely and effectively. It will be used to provide regular awareness and updates on good practice and includes “testing” to ensure adequate knowledge is embedded in our workforce.</p> <p>A new cyber security governance regime was introduced in March 2019.</p> <p>Carry forward</p>

Significant Governance Issues and Action Plan for 2018/19

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

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
<p>Children's Services</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>Executive Director of Children's Services 2020</p>
<p>Resilience of the Medium Term Financial Strategy (MTFS)</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>Executive Director of Resources March 2020</p>
<p>Compliance with Contract Procedure Rules and Allocation of Grants</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>Executive Director of Neighbourhoods December 2019</p>

<p>Data Protection Act 2018 (incorporating the General Data Protection Regulation (GDPR))</p> <p>A four phase action plan has been 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 being reported to the Council's Information Governance Board, which is chaired by the SIRO.</p>	<p>Director of Law and Governance & Monitoring Officer March 2020</p>
<p>Cyber Security</p> <p>Cyber Security remains a fast-moving issue and the Council needs to be pro-active in managing, monitoring and reacting to the risk of on-going threats in order to:</p> <ul style="list-style-type: none"> • protect its ability to deliver services, particularly critical services for a significant period of time, • prevent the loss of corporate and sensitive personal data (including bank details) • prevent enforcement action • reduce the risk of significant financial loss and reputational loss. 	<p>Executive Director of Resources March 2020</p>
<p>School Place Planning</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>Executive Director of Children's Services Director of Education, Skills and Employment September 2020</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 Yvonne Davies, Leader of the Council

Date:



David Stevens, Interim Chief Executive

Date: