

DRAFT Annual Governance Statement 2016-2017

Scope of Responsibility

The City of Wolverhampton 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.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has a Local Code of Corporate Governance, which is now being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new principles have been adopted in this statement.

The Council is also responsible for the strategic management and administration of the *West Midlands Pension Fund* with the Council's Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

Wolverhampton Homes is the Council's Arm's Length (Housing) Management Organisation (ALMO) and is a company wholly owned by the Council. The control of the ALMO is through the Board which has representatives drawn from 1/3 council, 1/3 tenants and 1/3 independent. There is a Management Agreement between the Council and Wolverhampton Homes which sets out the contractual and governance arrangements between the parties.

The Purpose of the Governance Framework

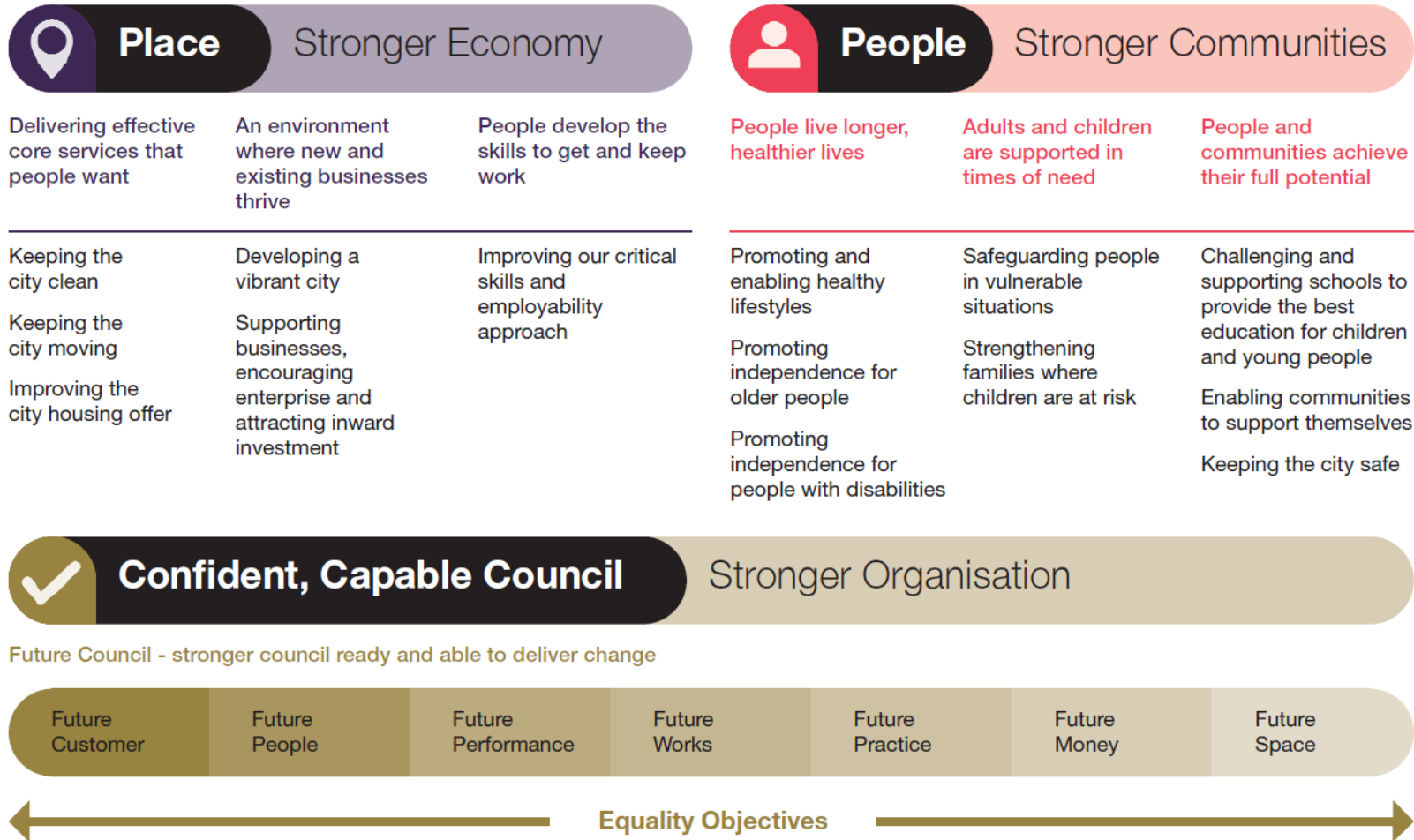
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Risk management and internal control are a significant part of the 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 on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

[NOT PROTECTIVELY MARKED]

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

The Council has a Corporate Plan with the following aims and themes



These are underpinned by the governance environment. This environment is consistent with the core principles of the new CIPFA/ SOLACE framework. In reviewing the Council's priorities and the 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.

[NOT PROTECTIVELY MARKED]

The key elements of the systems and processes that comprise the Council's governance framework, and where assurance against these is required, are described below.

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	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. 	<div>←</div> <ul style="list-style-type: none"> Delivery and communication of an agreed corporate plan Quality services are delivered efficiently and effectively Clearly defined roles and functions Management of risk Effectiveness of internal controls Compliance with laws, regulation, internal policies and procedures Value for money and efficient management of resources High standards of conduct and behaviour Public accountability Published information is accurate and reliable Implementation of previous governance issues 	<ul style="list-style-type: none"> The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) Council, Cabinet and Committees Audit and Risk Committee Scrutiny function Standards Committee Internal and External Audit Strategic Executive Board Wider Leadership Team Directors Assurance Statements Corporate and Business plans Medium Term Financial Strategy Corporate Risk Register and Assurance Map Codes of Conduct Business Planning and Performance Management Framework Whistleblowing and other anti-fraud related policies Complaints System Financial Procedures Rules Contract Procedure Rules modern.gov (the council's committee management information system) 	<div>→</div> <ul style="list-style-type: none"> External Audit Report to Those Charged with Governance (ISA 260) Report – unqualified opinion Annual Internal Audit Report - unqualified opinion Annual Audit and Risk Committee Report to Council 2017 LGA Corporate Peer Review – positive outcome 2017 Ofsted inspection of Children's Services – judged "Good". Annual Statement of Accounts Local Government Ombudsman Report Scrutiny reviews Annual Governance Statement – including the follow up of previous year issues 	<ul style="list-style-type: none"> Medium Term Financial Strategy Procurement, Contract Management and Monitoring Combined Authority Corporate Landlord

The Review of Effectiveness

[NOT PROTECTIVELY MARKED]

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including Internal Audit's annual report, the Scrutiny function and also by reports made by the Council's external auditors and other review agencies and inspectorates. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

A key component of this is the work of the Council's Audit and Risk Committee and during the year the Committee continued with its new initiatives, helping to ensure that the Council had a modern, effective and risk focussed Committee. During the year they:

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- Developed a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors, key Cabinet Members and Senior Officers. They also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Members of the Committee attended several high profile Audit Committee Institute events run by top accountancy firms and the Council, in partnership with Grant Thornton, arranged and hosted a well attended Midlands-wide Audit Committee forum, which focussed upon key themes for Audit Committees and their governance responsibilities.

Internal Audit

Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of 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 compliance 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".

Managing the risk of Fraud and Corruption

With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities undertaken in this area were primarily led during the year by the Audit and Risk Committee.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government

The role of the Council's Section 151 Officer has been assessed against the CIPFA Statement and found to be compliant.

Key changes to the governance framework

[NOT PROTECTIVELY MARKED]

There were no key changes to the governance framework during the year. However, in March 2017 the Cabinet approved a new senior management structure which will come into effect during 2017-2018. Also, the Council continues to play an active role in the in the governance arrangements for the West Midlands Combined Authority, including the Council's Managing Director in their role as Monitoring Officer for the Combined Authority.

West Midlands Pension Fund

The West Midlands Pension Fund has completed its own "Assurance Framework – Supporting the Annual Governance Statement" which identified that there had been no adverse matters arising from the work behind their assurance framework.

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company's Financial Statements for 2016-2017. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company's internal auditors.

Progress on the Governance Issues from 2015-2016

The table below describes the governance issues identified during 2015-2016 and the progress made against these during 2016/17. While a limited number of issues have been carried forward to 2017-2018, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2015-2016 - Key areas for Improvement	In-year update provided as at 30 October 2016	End of year update
<i>Savings Targets</i> This continues to be a key area for the Council to manage as it is faced with finding savings of £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017-2018 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2017-2018.	On 19 October Cabinet approved that: <ul style="list-style-type: none">Budget reduction and income generation proposals amounting to £13.5 million in 2017-2018 proceed to the formal consultation and scrutiny stages of the budget process.That Financial Transaction and Base Budget Revisions totalling a net reduction of £10.0 million in 2017-2018 be incorporated into the 2017-2018 draft budget. Cabinet also approved a number of changes to items in the MTFS. As a result of the	Following the Local Government Finance Settlement and completion of detailed budget work, Council approved a balanced budget for 2017-2018 without the use of general reserves. It is estimated that further savings of £14.9 million will need to be identified for 2018-2019 and another £5.6 million for 2019-2020. Council approved that work starts on developing budget reductions for 2018-2019 and that progress be reported to Cabinet in July 2017. It is important to note that the updated projected budget deficit assumes the

	<p>recommendations approved by Cabinet the Council is projected to be able to set a balanced budget for 2017-2018.</p> <p>Budget consultation and scrutiny will be undertaken during November and December the outcome of which will be reported back to Cabinet. An initial review of the assumptions and projections built into the Draft Budget and MTFS 2017-2018 to 2019-2020 has been undertaken, with further work to be completed during the 2017-2018 budget setting process.</p> <p>A further report will be taken to Cabinet on 22 February 2017.</p>	<p>achievement of budget reduction proposals amounting to £33.8 million over the three year period to 2019-2020.</p>
<p><i>Combined Authority</i></p> <p>The West Midlands Combined Authority (WMCA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that WMCA is a success and that it benefits the City of Wolverhampton.</p> <p>Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in May 2017. This will include public consultation (in the Summer of 2016) on the powers to be conferred on the Mayor by Central Government.</p> <p>Continuing officer and member involvement WMCA is crucial to making it a success, in delivering the first devolution deal, and developing future deals.</p>	<p>The Council needs to continue to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the WMCA successfully delivers the devolution deal, and its success benefits the City of Wolverhampton. The Council continues to play a major role in the Combined Authority. The appointment of the Leader of the Council, Councillor as the Transport portfolio lead for the WMCA was confirmed at its AGM in June 2016.</p> <p>The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was also confirmed at its AGM, on an interim basis until May 2017.</p> <p>Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in</p>	<p>Preparation for the Mayoral position to be incorporated into the WMCA continues.</p> <p>There is no requirement on Wolverhampton to amend its constitution as the WMCA is the vehicle for devolution and therefore holds the powers and functions, some of which are exercised by the Mayor.</p> <p>The Statutory Order to confer the devolution deal functions was signed on 31 March 2017. The Order and the amended constitution came into force on 8 May 2017.</p> <p>Five observer organisations will progress to non-constituent membership. These authorities are highlighted below:</p> <p>Shropshire Council, Stratford on Avon District Council, Rugby Borough Council, Warwickshire County Council and North Warwickshire Borough Council</p> <p>WMCA is currently recruiting a number of permanent full time senior management posts</p>

May 2017. This to date has included a public consultation (summer 2016) on the functions to be conferred on the Combined Authority by government, to deliver the devolution deal. The formalising of that process will be underway in December 2016, through the constituent council's consideration of the statutory 'Order' (detailing the devolution agreement functions). The governance structures of the Combined Authority, consisting of boards, committees, working groups and commissions, were reflected upon and amended following the development of the devolution agenda and the updated structures were approved at the Combined Authority Board meeting on 28 October 2016. Constitutional arrangements are also being made to incorporate the Mayoral WMCA arrangements into the Combined Authority, and following the consideration by Parliament of the Mayoral WMCA functions, the required changes will be embedded. Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.

On 3 March 2017 the WMCA Board approved the creation of the West Midlands Growth Company.
On 4 May 2017 Andy Street was elected as the Mayor for WMCA.
The WMCA and seven Metropolitan Borough Councils will appoint the company directors by mid May 2017.
The growth company will channel opportunities for regional investment which in turn will benefit WMCA.

Corporate Landlord

A Strategic Asset Plan for the Council is to be developed.
Detailed service reviews to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives are underway and due to be completed in-year.

A dedicated project manager is now in place to finalise scopes of work, prepare briefs and commission external consultancy support. Work packages to be supported are summarised as follows:
Strategic Asset Plan
Duration: six months consultancy (completion June 2017)
To assist in the production of the Strategic Asset Plan (suite of three documents – Asset Policy,

Strategic Asset Plan

CIPFA are engaged and will be assisting with the development of the Strategic Asset Plan. Due to complete by October 2017 and full implementation by March 2018

Commercial

The income target exceeded in 2016-2017 as leases, licences and service charges were updated. Investment in the commercial

Asset Strategy and Action Plan). This documentation will set out the long term strategy/goals for where the Council's asset portfolio needs to be in the future.

Commercial Portfolio: review of leases/licences/ service charges/debt management
 Duration: 6-12 months (completion November 2017)
 To review all leases, licences and service charges in line with the Royal Institute of Chartered Surveyors requirements.

Asset Challenge: Utilisation and Life-cycle Assessment
 Duration: 12 months (completion December 2017)
 To undertake utilisation surveys and life-cycle (circa 25 years) condition surveys on all buildings enabling Corporate Landlord to assess the performance of the asset portfolio and ensure it supports the Council's strategic and operational objectives.

Data Management
 Duration: 6-12 months (completion November 2017)
 A Project Manager, Data Support Officer and access to scanning facilities will be required to map, identify, cleanse and capture baseline land and property data. Centralised data is at the core of the Corporate Landlord service delivery model and this work will enable analysis and reporting.

portfolio has also commenced to improve the offer.

Asset Challenge

The Project Manager is developing a utilisation template and life-cycle condition surveys are being considered as part of the future FM Delivery Model.

Data Management

All estates files now scanned and a data intelligence solution currently being evaluated. Processes are being reviewed together with staff capability with a view to systems rationalisation.

Procurement, Contract Management and Monitoring

A standard approach to Contract

The Procurement team has started to offer contract management support to service teams. The first areas where this has commenced is

The Contract Management System was implemented in February 2017. The Contract Management of the Waste collection and

<p>Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.</p>	<p>Environmental Services and Public Health. The first dedicated Contract Manager post has been agreed and is currently being recruited to. A new contract management system (Accord) is being implemented and will be live in early 2017. This will give visibility of each contract and a standardised approach to performance monitoring and contract administration.</p>	<p>treatment contracts is being supported by the Procurement Team. A Contract Manager post has been recruited to with a start date of May 2017 and a standard approach to performance monitoring and contract administration is to be developed during 2017-2018.</p>
<p><i>Partnership Governance</i> The Council is embarking on a systematic review of Governance arrangements with partner organisations and has already implemented revised protocols for all newly drafted arrangements. The Black Country Joint Committee, set up in Summer 2015, has established a clear governance structure for collaborative arrangements across the Black Country, which the Council has committed to. The City Board oversees the Economic Growth Board, Inclusion Board and the recently set up Employment and Skills Board. The governance for each is reviewed annually and amendments made, if required.</p>	<p>At the City level, work is underway to review the strategic approach for City Economy and how this is reflected in our partnerships. This work is expected to complete around spring 2017. New reporting formats for projects being championed by the Economic Growth Board and Skills and Employment Board have now been developed and approved. This will help to tighten governance and impact from partnership working. The Council is also the accountable body for the delivery of the Black Country Growth Hub. Again the governance has been reviewed and tightened to enable effective governance of a wider remit that includes delivery of the new ERDF funded AIM for the Black Country project.</p>	<p>The City Board has agreed to focus on sustainability and smart city during 2017, and has completed an audit of sustainable development activities across the core partners that contribute to the millennium goals. A refresh of the City Strategy 2011 – 2026: Prosperity for All is underway, to better align it with the Black Country and West Midlands Combined Authority SEPs. Initial work to review and update the economic evidence base has been commissioned and will be completed in spring 2017. Revised reporting process have now been introduced with the Economic Growth, Employment and Skills and Inclusion Boards. This is helping to identify and focus on areas relevant to the influence of the board members, and be able to track activity. Clear reporting structures are in place for the Black Country Growth Hub and the EU funded project AIM, both of which the City of Wolverhampton holds the role of accountable body. The city has also developed a clear delivery approach to ensure value from these partnership programmes is secured in the city.</p>

Action Plan for the Significant Governance Issues identified during 2016-2017 which will need addressing in 2017-2018

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2016-2017 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2016-2017 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Savings Targets</i></p> <p>This continues to be a key area for the Council to manage as it is faced with finding savings of £20.5 million by 2019/20. As part of this process £14.9 million of additional savings is to be identified for 2018-2019 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2018-2019.</p>	<p>Chief Accountant July 2017</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>Following the recruitment of the Contract Manager post a standard approach to performance monitoring and contract administration is to be developed during 2017-2018.</p>	<p>Service Director – Commercial Services December 2017</p>
<p><i>Combined Authority</i></p> <p>Following the election of the new Mayor in May 2017, the Council will be working with their office in order to maximise the benefits the Combined Authority will bring to the city.</p>	<p>Managing Director September 2017</p>

Corporate Landlord

- Strategic Asset Plan - to develop the Strategic Asset Plan with CIPFA.
- Asset Challenge- to develop a utilisation template and consider life-cycle condition surveys as part of the future FM Delivery Model
- Data Management - to rationalise systems and introduce a data intelligence solution.

Head of Corporate
Landlord
October – December 2017

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2017-2018.

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.



Roger Lawrence, Leader of the Council

Date:



Keith Ireland, Managing Director

Date: