

Scope of Responsibility

The City of Wolverhampton 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 approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This code is incorporated within the Council's Constitution, which is available for review on the Council's website.

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.

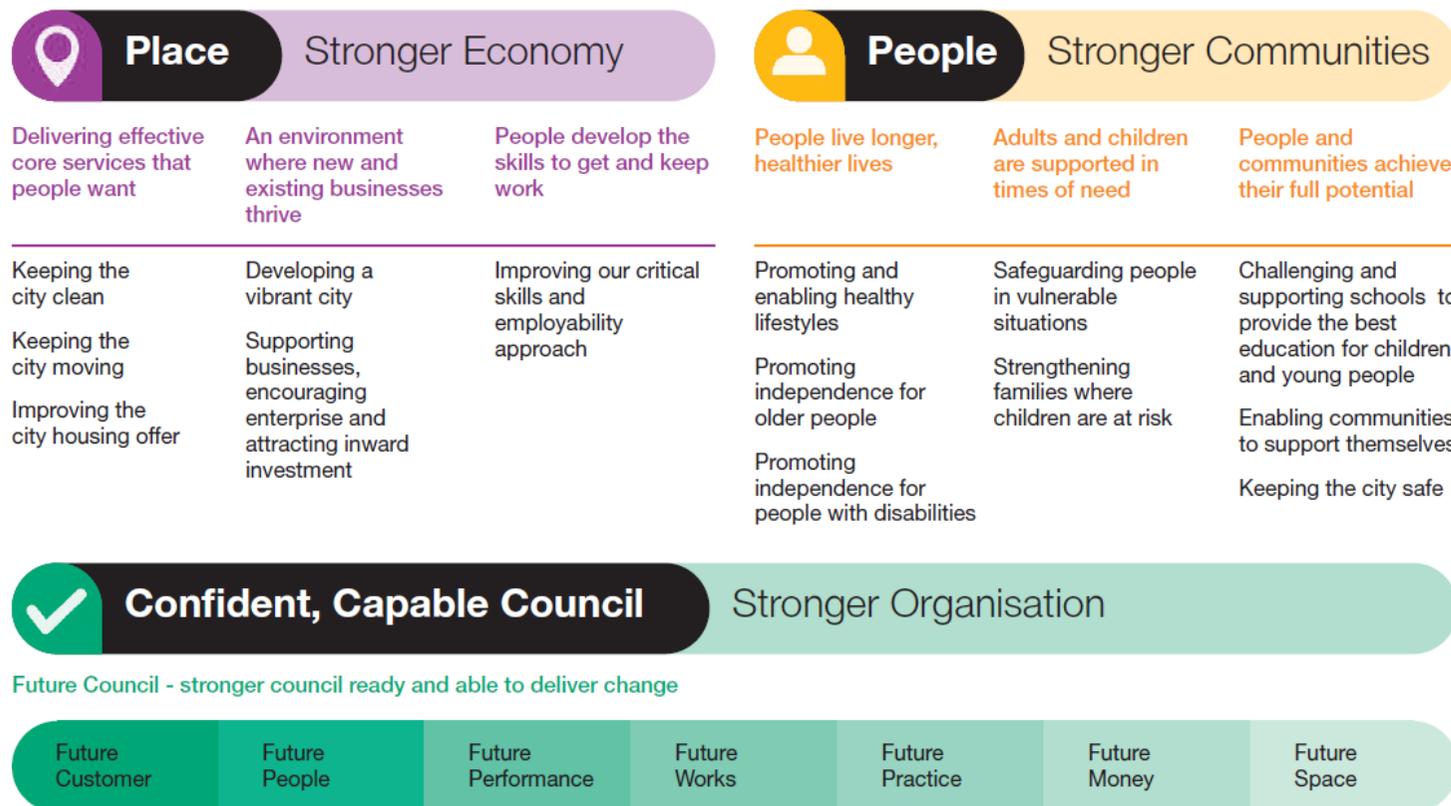
Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. 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.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework and Review of Effectiveness throughout 2015/16

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 six core principles of the 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.

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
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> <p>Developing the capacity and capability of members and officers to be effective</p> <p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<p>←</p> <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 	<p>→</p> <ul style="list-style-type: none"> • The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Scrutiny function • Audit and Risk Committee • 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) 	<ul style="list-style-type: none"> • External Audit Report to Those Charged with Governance (ISA 260) Report • Annual Internal Audit Report • Annual Audit Committee Report • SIRO Annual Report • Statement of Accounts • Local Government Ombudsman Report • Scrutiny reviews • Annual Governance Statement – follow up of previous year issues 	<ul style="list-style-type: none"> • Savings Targets • Combined Authority • Procurement , Contract Management and Monitoring • Corporate Landlord • Partnership Governance

Key changes to the governance framework

During the year, the Chief Executive of Wolverhampton Homes took on an additional role within the Council as the Strategic Director of Housing. The Council also played an active role in the the establishment of the governance arrangements for the Combined Authority across the West Midlands region.

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 2015/16. 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.

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.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit’s annual report, the Scrutiny function and also by reports made by the Council’s external auditors and other review agencies and inspectorates, as noted above.

Internal Audit has concluded that based on the work undertaken during the year of areas 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”. Key areas of concern have been included within the governance issues noted below.

A number of issues were identified in the 2014/5 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2015/16 statement.

Progress on the Governance Issues from 2014/15

The table below describes the governance issues identified during 2014/15 and the progress made against these during 2015/16. While a number of issues from 2014/15 have been carried forward to 2015/16, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2014/15 - Key areas for Improvement	Update on position and implication for the 2015/16 Annual Governance Statement
<p><i>FutureSpace</i></p> <p>An updated business case for the works to the Civic Centre clarifying the scope and intention of the programme and the resources it wishes to deploy, will be prepared and submitted to Councillors in June 2015. Further work will be required to then develop the programme in line with the decision made by Councillors.</p>	<p>Work on the refurbishment and development of the Civic Centre is now underway, with a clear and timetabled project plan for completion.</p>
<p><i>Corporate Landlord</i></p> <p>The Corporate Landlord model continues to be embedded within the council's policies. The proposed workplan to continue this is as below:</p> <ul style="list-style-type: none"> • Stabilising the service following changes in leadership and transition to the Place Directorate • Address the financial challenge and seek performance improvements within the existing scope, resources and operating model • Review the operating model for 2016/17 onwards • Present to SEB for comment • Develop a proposal which will be consulted upon and progressed through the decision making process to agree and then implement • Implement the agreed operating model and organisational structures • New model in place 	<p>Following the transfer of the service in January 2015 the opportunity was taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate Landlord model was first established. This process was intended to further embed the Strategic Asset Management function and will ultimately establish a Strategic Asset Management Plan.</p> <p>The management structure is now in place for all key operational areas/responsibilities now within the Corporate Landlord service, specifically with the Head of Corporate Landlord supported by the Head of Assets, Head of Facilities Management and Service Support and Head of Projects and Works.</p> <p>Governance has been established primarily through a dedicated monthly Corporate Landlord Board responsible for all corporate operational, commercial investment and schools land and property assets. The role of the Corporate Landlord is further endorsed through the Council's constitution and is accountable to the Confident Capable Council Scrutiny Panel (Corporate).</p> <p>Detailed service reviews are underway for various areas of operation to</p>

	<p>embed lean working practices, with a proposal to commission a company and former advisors in implementing the corporate landlord service delivery model, to ensure the new service delivery is relevant and effective in supporting the council's priorities and objectives. It is proposed to undertake this 'health check' by September 2016.</p> <p>The Strategic Asset Plan is currently under development and is the key focus for the recently established assets team (responsibility of the Head of Assets) for which a detailed structure is proposed to be developed with external advisors prior to the end of July 2016.</p> <p><i>Carried forward to 2016/17</i></p>
<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 £46 million over the next four years. As part of this process £20 million of additional savings is to be identified for 2016/17 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2016/17.</p> <p>Also, the recommendations identified as on-going, made in the recent independent review of 'the process for the medium term financial strategy and budget report' will need to continue to be addressed.</p>	<p>The settlement figures included an overall reduction in funding of £3.6 million in 2016/17 in addition to that previously reported. The MTF5 assumptions as reported to Cabinet on 21 October included assumptions which were broadly in line with the confirmed cut in grant. As a result the Council was able to follow the strategy approved in October 2015 and on 3 March 2016 Council approved a balanced budget for 2016/17 without calling on reserves.</p> <p>The Council is now faced with finding further budget reductions estimated at £54.6 million over the next three years.</p> <p>Cabinet approved that work would start immediately to identify additional budget reductions to address the projected £22.2 million budget deficit for 2017/18 with an update on progress to be reported to Cabinet in July 2016.</p> <p>The July 2016 report will also include a high level strategy for tackling the estimated additional budget reductions totalling £32.4 million required between 2018/19 and 2019/20, taking the total additional budget reductions to be identified to £54.6 million, in order to address the projected budget deficit over the medium term to 2019/20.</p> <p>It is important to note that the updated projected budget deficit assumes the achievement of budget reduction proposals amounting to £37.4 million over the four year period to 2019/20.</p> <p><i>Carried forward to 2016/17</i></p>

<p><i>Procurement, Contract Management and Monitoring</i></p> <p>A revision of the 'Procurement Code' is in progress and will need completion in order to meet the requirements of the new Public Contracts Regulations and a standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.</p>	<p>New Contract Procedure Rules were adopted into the Council's constitution in December 2015 and the contract management training programme commences in June 2016.</p> <p>A Service Director for Commercial Services post has been created including responsibility for contract management strategy and development.</p> <p><i>Carried forward to 2016/17</i></p>
<p><i>Better Care Fund</i></p> <p>There will be a range of on-going performance management/ governance / pooled budget financial management issues that will need close monitoring through the early stages of the Fund.</p>	<p>The Better Care Fund Programme Board monitors progress and performance on a monthly basis. A full progress report went to Senior Executive Board (SEB) on 27 October 2015 and the Cabinet Performance Management Panel on 23 November. Performance reports were prepared for the Health and Wellbeing board meetings through the business year, and robust joint governance arrangements covering Wolverhampton Clinical Commissioning Group, Royal Wolverhampton Trust, Black Country Partnership Foundation Trust, and the City Council were implemented to ensure the ongoing delivery of performance targets and associated financial targets.</p>
<p><i>FutureWorks</i></p> <p>Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an on-going basis in order to maximise the benefits from the investment. The next steps for Agresso future development is to implement an upgrade from Milestone 3 to Milestone 4 plus the added functionality of seven experience packs. This work is expected to be completed by December 2015 alongside the continual development and enhancement of reporting functionality.</p> <p>Following the formal closure the FutureWorks Programme was re-established in April 2015 as the governance board for the council's ICT programme of work. The programme will maintain an oversight of all the council's significant ICT initiatives including the development of the council's ICT and Digital Strategies in addition to the delivery of improved Business Intelligence capability, Master Data Management</p>	<p>A number of end user improvements have been implemented in the Agresso solution along with improvements in reporting. Further reporting enhancements have been provided to the Council's Budget Managers through the introduction of a financial dashboard using technology introduced by the Digital Transformation Programme.</p> <p>Upgrade planning for Agresso has commenced with an upgrade to Milestone 5 or Milestone 6 anticipated before the end of 2016. Consideration is being given to the use of Cloud hosting technologies as part of the upgrade so as to increase the availability of the solution.</p> <p>FutureWorks continues to oversee the delivery of the Council's Digital Transformation Programme. A new CRM solution to support the transformation of Customer Services has been introduced along with a single view of the citizen and improved reporting capability. Further digital deliverables through 2016 include the introduction of an authenticated citizen portal, redesigned digital citizen services, single views of employees and properties as well as further dashboards and</p>

<p>solutions and the continuing delivery of mobile and agile solutions such as Office 365 during 2015 /2016.</p>	<p>improved analytics capability.</p> <p>FutureWorks will focus on the provision of mobile and agile working solutions with the introduction of tablet devices with Windows 10, supporting the delivery of FutureSpace with network and wifi redesigns and the provision of audio visual solutions and the introduction of a Unified Communications solution to consolidate mobile, fixed line telephony, email and other digital communications.</p>
<p><i>Partnership Governance</i></p> <p>While the City Board, Growth Board and Inclusion Board, are now fully operating, a systematic approach to identifying all of the other significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out.</p>	<p>Work is continuing to codify governance arrangements across partnership arrangements and will continue in what is a dynamic and continually expanding area of work.</p> <p><i>Carried forward to 2016/17</i></p>
<p><i>Combined Authority</i></p> <p>The Council is in the process of establishing a Combined Authority (CA) with partners in the West Midlands and potentially other local authorities that make up the three Local Enterprise Partnerships that cover the area. The Council needs to ensure it plays a key part in the development of the CA, in order to ensure that the interests of, and the maximum benefit for the City of Wolverhampton, is achieved. At key points in the process of establishing the CA reports will be taken to either full Council or Cabinet as appropriate for approval.</p>	<p>The Combined Authority has now been established.</p> <p>As a platform for devolution, the Combined Authority arrangements enabled the Combined Authority Shadow Board to negotiate a devolution agreement, signed by the Leader on 17 November 2015, and ratified by Council on 2 March 2016.</p> <p>The Council continues to play a major role in the Combined Authority. The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was confirmed at its AGM.</p> <p>The next steps are to process the required governance arrangements to deliver the devolution deal and preparing for an elected Mayor.</p> <p>The proposed governance arrangements are made up of two key structures - Officer Governance Structure and Councillors and LEPS Structure.</p> <p>These structures consist of a series of boards, committees, working groups and commissions, each of which has had their own governance statement prepared. The proposed structure and governance</p>

	<p>statements was discussed at the AGM on 10 June.</p> <p>Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.</p>
<p><i>Corporate Peer Challenge</i></p> <p>The Council undertook a Corporate Peer Challenge in December 2014, and the final feedback provided to the council in March 2015. The focus of the peer review was strategic planning and there was both an internal focus around what organisation we want to be, and an external focus around what kind of role we want to have in the city.</p> <p>There was an acknowledgement of the enormous amount of change at rapid pace and that the organisation as a whole was supporting that journey. There was also recognition that there is an ambitious agenda to improve the city, and that stronger collective ownership on the savings challenges is required. It was also found that partnership working in Wolverhampton is a real strength to be built on.</p> <p>In 2015/16, we will continue to respond to the areas of feedback, including continuing to discuss our future role and purpose, review our governance structures and processes and continue to lead on the Combined Authority for the West Midlands region.</p>	<p>The Council continues to transform, using feedback from the Corporate Peer Challenge and other Peer Reviews and feedback. The Corporate Plan has been refreshed for 2016/19 and developed an outcomes based planning approach. 'Vision 2030' for the City of Wolverhampton has been launched, and outlines the shared vision for Wolverhampton amongst key partners in the City.</p> <p>The City of Wolverhampton Council has continued to lead on the creation of the West Midlands Combined Authority, and has worked across the region to progress important issues such as devolution.</p>

Action Plan for the Significant Governance Issues identified during 2015/16 which will need addressing in 2016/17

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2015/16 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2015/16 - 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 £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017/18 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2017/18.</p>	<p>Director of Finance July 2016</p>
<p><i>Combined Authority</i></p> <p>The West Midlands Combined Authority (CA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the CA 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 in the Combined Authority is crucial to making it a success, in delivering the first devolution deal, and developing future deals.</p>	<p>Managing Director Ongoing</p>
<p><i>Corporate Landlord</i></p> <p>A Strategic Asset Plan for the Council is to be developed.</p> <p>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.</p>	<p>Strategic Director – Place September 2016</p>

<p><i>Procurement, Contract Management and Monitoring</i></p> <p>A standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.</p>	<p>Service Director for Commercial Services. Implementation from June 2016.</p>
<p><i>Partnership Governance</i></p> <p>Update to follow</p>	

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 2016/17.

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: