

## Annual Governance Statement 2016/17

### 1. Introduction

The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The published AGS provides an open and honest self-assessment of Solihull Metropolitan Borough Council's governance arrangements across all of its activities, with a clear statement of the actions taken or required to address any identified areas of concern.

The Statement covers the Council's significant corporate systems, processes and controls, including in particular those designed to ensure that:

- laws and regulations are complied with;
- Council policies are implemented in practice;
- required processes are adhered to;
- high quality services are delivered efficiently and effectively;
- the Council's values and ethical standards are met;
- performance and financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively.

During 2016/17, some of the key tangible outcomes associated with having effective governance arrangements include:

- no significant breaches of the law;
- freedom of information requests were dealt with well within the time tolerance set by the Information Commissioner;
- External Audit issued an unqualified opinion on the latest financial statements;
- the Council maintained its good track record of managing within tight financial constraints and achieving savings.

### 2. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty to put in place proper arrangements for the governance of its affairs, and the effective discharge of its functions to secure continuous improvement and the management of significant risks.

To demonstrate commitment to achieving good governance, the Council has embedded good governance principles in its constitution, policies and procedures, as well as adopting a Local Code of Corporate Governance.

A Gap Analysis has been undertaken to ensure that our Code accords with the recently refreshed CIPFA/SOLACE<sup>1</sup> Framework '*Delivering Good Governance in Local Government*', although no significant issues were found we have identified some improvement actions which are detailed in the Statement Action Plan.

The Accounts and Audit (England) Regulations require the Council to prepare an AGS which explains how the Council complies with the Code.

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<sup>1</sup> The Chartered Institute of Public Finance and Accountancy & Society of Local Authority Chief Executives

The AGS is reviewed by the Audit Committee prior to its approval by the Governance Committee. Once approved, it is signed by the Leader and Chief Executive of the Council before being published on the Council's website.

### **3. The Purpose of the Governance Framework**

Each local Council operates a governance framework that brings together a set of legislative requirements, governance principles, corporate strategies and policies, systems, management processes, culture and values. The quality of these arrangements underpins the level of trust in public services and is fundamental to the Council's statutory and democratic obligations. A framework of good governance allows the Council to be clear about how it discharges its responsibilities.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a tolerable level. However, it cannot eliminate all risk and can therefore only demonstrate reasonable assurance of effectiveness. The management of risk is an ongoing process designed to identify and prioritise the risks associated with the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks and to manage their impact should they happen.

A robust governance framework has been in place for a number of years, and in particular for the year ended 31st March 2017 and up to the date of approval of the annual report and statement of accounts.

### **4. The Governance Framework**

The Local Code of Corporate Governance is a statement of the Council's commitment to have an effective governance framework. The Code describes the core principles that underpin the governance framework, including how the Council:

1. Upholds high standards of conduct and behaviour
2. Engages with local people and other stakeholders to ensure robust public accountability
3. Creates and implements a vision for the local area
4. Determines the interventions necessary to optimise the achievement of outcomes
5. Develops the capacity and capability of members and officers to be effective
6. Takes informed and transparent decisions that are subject to effective scrutiny and risk management
7. Has members and officers that work together to achieve a common purpose

The following details the systems, policies and procedures that the Council had in place during the year ended 31st March 2017 to meet these principles.

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

Rationale: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved.

### **To demonstrate its commitment to achieving good governance, Solihull Council has:**

- a) A Local Code of Corporate Governance.
- b) A culture of behaviour based on shared values (known as the Council brand of being 'Open, Honest, Approachable and Keeping its Promises'), and good conduct that includes the following:
  - Code of Conduct for Councillors
  - Code of Employee Conduct
  - Dignity at Work Policy
  - Whistleblowing Policy
  - Money Laundering and a Counter Fraud and Corruption Strategy
  - Prevention of Bribery Policy
- c) A process for considering any complaint that a Councillor has breached the Councillor Code of Conduct.
- d) An Equal Opportunities Policy Statement and a process for taking due regard, as well as annual reports describing how the Council ensures fair treatment for employees and customers, whatever their background or circumstances.

## **Core Principle B: Ensuring openness and comprehensive stakeholder engagement**

Rationale: Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders.

### **To demonstrate its commitment to achieving good governance, Solihull Council has:**

- a) Agreed role definitions for Councillors, which support accountability by providing transparency and clarity about the role of Councillors.
- b) A Petition Scheme.
- c) An active role in the work of Solihull's Local Safeguarding Children Board and the Safeguarding Adults Board.
- d) Arrangements in place to publish an annual report detailing all complaint and compliment activity.
- e) A Customer Strategy which provides direction and clarity about how the Council plans to enable customers to interact with it.
- f) A 'Stay Connected' email alert service which keeps customers connected to and informed about Council services.
- g) Promoted initiatives and received recognition for the A45 Bridge Replacement Scheme, our Small Business Friendly' Procurement Policy, Sustainable Travel being supported within Schools, the Best Conversion of an Existing Building and the Best Single Dwelling (Building Control Team).

## **Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

**Rationale:** The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.

### **To demonstrate its commitment to good governance, Solihull Council has:**

- a) A Council Plan setting out its direction between now and 2020.
- b) A Solihull Connected Delivery Plan which sets out the future direction for investment in our transport system.
- c) Arrangements in place to ensure that progress made against the Council Plan is regularly reported.
- d) Arrangements in place to publish the annual external audit report.
- e) A Procurement Strategy and Rules for Contracts, as well as the Solihull Partnership Governance Framework which describes partnership working arrangements in Solihull across the public, private, voluntary and community sector organisations.
- f) A Social Value Policy to describe how the authority will consider social, economic and environmental considerations when contracting.
- g) Encouraged businesses to sign up to the Council's Business Charter which describes the spirit, style and behaviours expected from suppliers to maximise the level of customer satisfaction and value.
- h) Joined the West Midlands Combined Authority.

## **Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

**Rationale:** Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.

### **To demonstrate its commitment to good governance, Solihull Council has:**

- a) Developed a high level basket of performance measures to track progress against the delivery of key areas of Council activity.
- b) Developed a Medium Term Financial Strategy which is designed to help provide a stable financial base from which to deliver the Council's priorities.
- c) Worked with partners, providers and contractors to develop awareness and a common understanding of the Council's expectations on risk management.
- d) A Decision Making protocol which sets out how decisions are made to ensure that these are efficient, transparent, and accountable to local people.
- e) A Calendar of dates of all upcoming Council, Cabinet, Scrutiny and other committee meetings and forward plans which list the key-decisions that are planned to be made.

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

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.

### **To demonstrate its commitment to good governance, Solihull Council has:**

- a) Robust recruitment and selection processes and induction programmes for new employees.
- b) An induction programme for newly elected Members and opportunities for longer serving Members to update their training and skills.
- c) A programme of monthly 1 to 1's and annual performance and development reviews to measure individual performance targets and identify further development opportunities, with pay progression related to performance.
- d) A Pay Policy that sets out the Council's approach to pay.
- e) An agreed Constitution that sets out roles and responsibilities, decision making and financial management arrangements.
- f) A protocol and guidance to assist both members and officers to work effectively together.
- g) A member structure that includes a Leader of the Council and a Cabinet; Scrutiny Boards that check and monitor what the Cabinet does; a Governance Committee to deal with terms and conditions of staff appointments and constitutional matters, promote and maintain high standards of conduct by councillors, co-opted members, parish and town councillors; a Planning Committee to determine planning applications and consider planning policies; a Licensing Committee to deal with all aspects of the Licensing Act.
- h) Within the Scrutiny arrangements, a facility for decisions to be "called in" by Members.
- i) A management structure that includes a Chief Executive (also known as the Head of Paid Service); a Corporate Leadership Team whose membership comprises of the Chief Executive, a Director of Resources and Deputy Chief Executive and the Directors of Public Health, Adult Care and Support, Children's Services and Skills, and Managed Growth and Communities.

## **Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes.

### **To demonstrate its commitment to good governance, Solihull Council has:**

- a) Arrangements in place to ensure effective and transparent decision making by:
  - holding meetings in public (including webcasting certain meetings) unless there are good reasons for confidentiality.
  - providing the public with an opportunity to ask questions or make representations at full Council, Cabinet and Regulatory Committees
  - publishing a Forward Plan of Key Decisions as well as agendas and minuted decisions
  - maintaining an effective scrutiny function to provide constructive challenge, determine whether decisions follow the agreed

- process, are in accordance with the Council's policy framework and within approved budget
- b) An Audit Committee (which includes independent as well as elected members) and an Internal Audit Service.
  - c) A Risk Management Policy that includes both strategic and operational risk management, regular reporting to the Corporate Leadership Team and Audit Committee and publication of high level risks online.
  - d) Whistle-blowing arrangements and a complaints process for dealing with complaints in an effective, transparent and accessible way.
  - e) A Publication Scheme that describes the kinds of information available and provides guidance about how to access personal information and submit a Freedom of Information request.

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

Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.

#### **To demonstrate its commitment to good governance, Solihull Council has:**

- a) Produced an Accounting Statement which includes our external auditor's independent opinion and all of the Council's financial statements.
- b) Produced an Annual Governance Statement which details the Council's system of "internal control" (i.e. the policies, processes, tasks, behaviours and other aspects of the organisation) and our commitment to achieving good governance.
- c) Published agendas, minutes and decisions as well as the criteria, rationale and considerations on which decisions are based.
- d) An effective internal audit service with direct access to Members in place, providing assurance with regard to governance arrangements and monitoring the audit recommendation tracker to ensure that they are acted upon.
- e) Committed to continuous improvement and has embraced a national initiative called 'sector led improvement'
- f) Published information online in accordance with the Local Government Transparency Code 2015.

## **5. Review of Effectiveness**

The Council is required to undertake at least annually, a review of the effectiveness of its governance framework, including the system of internal control. Accordingly, the Council has developed a methodology for reviewing its framework and producing this Annual Governance Statement. This methodology accords with proper practice and is co-ordinated by the Audit Manager (Governance). The outcomes of the review are considered by the Chief Executive with support from the relevant statutory officers, Audit Committee and Governance Committee (who approve the final Statement). Once approved, the Annual Governance Statement is published alongside the Statement of Accounts.

The following describes the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, in particular assurances gathered from:

- Full Council (the authority)
- Cabinet Members (the executive)
- Scrutiny Boards
- Audit Committee
- Governance Committee
- Director of Resources and Deputy Chief Executive (the Chief Financial Officer and Section 151 Officer)
- The Head of Legal and Democratic Services (the Monitoring Officer)
- Management
- Internal Audit
- Risk, Performance and Financial Management Arrangements
- Equality Management
- Health and Safety
- Customer Feedback
- External Audit
- External Inspections and Peer Challenges

### **5.1 Assurance from Members**

#### **5.1.1 Full Council**

The Council consists of 51 councillors who are elected by the local community. In terms of reviewing the governance framework and producing this Annual Governance Statement, during 2016/17, Full Council:

- a) approved the Council Plan and revised Financial Regulations;
- b) approved the Council budget for 2017/18 and the Medium Term Financial Strategy;
- c) approved the Council's Pay Policy Statement;
- d) approved the Treasury Management Strategy 2017/18 to 2019/20;
- e) approved the draft West Midlands Combined Authority Mayoral (elections) Order;
- f) agreed that the draft Mayoral WMCA 'functions' Scheme be published and consulted on;
- g) determined the numbers of seats and the terms of reference of Boards, Committees and Sub-Committees;
- h) were advised of the main decisions taken at the Portfolio Holders Decision Sessions and Cabinet Meetings;
- i) received the minutes of Scrutiny Boards as well as from the Audit, Governance, Planning and Appeals Committees;
- j) Received the Overview and Scrutiny Annual Report;

- k) received various petitions on behalf of local residents, and deputations from members of the public wishing to address the Council;
- l) received Annual Reports from the Local Safeguarding Children Board (LSCB) and Solihull Safeguarding Adults Board (SSAB).

### **5.1.2 Cabinet Members**

The Cabinet is an executive group responsible for the overall business of the council. In terms of reviewing the governance framework and producing this Annual Governance Statement, during 2016/17, Cabinet:

- a) received regular reports on the Council's financial position and given the size of the Council, External Audit have confirmed that reporting is at an appropriate level of detail;
- b) approved the council tax base for Solihull and the parish areas;
- c) received the annual risk management report and various other performance reports;

### **5.1.3 Scrutiny Boards**

The decisions of the Cabinet are subject to scrutiny by a different group of councillors. In terms of reviewing the governance framework and producing this Annual Governance Statement, during 2016/17, Scrutiny Boards met regularly to monitor the work of Cabinet, to provide policy development support and to monitor the Council's performance against its stated objectives.

During 2016/17, two executive decisions were subject to "call in" (*although one was reviewed by the Call in Committee just outside of the 16/17 financial year - April 2017*), details of which can be found on the Council's website.

### **5.1.4 Audit Committee**

Audit Committee provide independent, effective assurance about the adequacy of the Council's governance environment. In terms of reviewing the governance framework and producing this Annual Governance Statement, during 2016/17, the Audit Committee:

- a) received the Council's Annual Governance Statement Report and regular updates from the Council's External Auditors;
- b) received monitoring reports on aspects of internal control, treasury management, and risk management;
- c) received regular reports on the work undertaken by Internal Audit;
- d) considered the annual audit letter;
- e) recommended to Full Council that the Council opt into the national scheme for auditor appointments.

### **5.1.5 Governance Committee**

Governance Committee is responsible for promoting and maintaining high standards of conduct by councillors, co-opted members, parish and town councillors. In terms of reviewing the governance framework and producing this Annual Governance Statement, during 2016/17, Governance Committee:

- a) recommended the revised Financial Regulations to Full Council for approval;
- b) approved the final Statement of Accounts for 2015/16;
- c) approved the Annual Governance Statement for 2015/16;
- d) approved a revised and updated Equal Opportunities Policy Statement;



- e) appointed a new Independent Remuneration Panel to complete a review of Councillors' allowances;
- f) approved a Social Media Policy for staff and guidance for Councillors;
- g) reviewed the Code of Conduct for Councillors;
- h) reviewed the Webcasting statistics and agreed to include additional meetings for regular webcasting;
- i) approved an updated Corporate Safeguarding Policy;
- j) approved a revised and updated Use of Resources Protocol for Councillors.

There was one complaint about Member conduct during 2016/17. This complaint was resolved informally by the Monitoring Officer.

## **5.2 Assurance from the Director of Resources and Deputy Chief Executive (the Chief Financial Officer and Section 151 Officer) and the Head of Legal and Democratic Services (The Monitoring Officer)**

The statutory functions undertaken by these two officers ensures legality, financial prudence and transparency, providing a key source of assurance that the systems and procedures of internal control are effective, efficient and are complied with. Both officers are involved in the production of this Annual Governance Statement and provide individual assurances that it accurately describes the Council's governance environment.

## **5.3 The Role of the Chief Financial Officer**

At Solihull Council the Chief Financial Officer is the Director of Resources and Deputy Chief Executive.

An internal desktop review of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) was completed during 2016/17. The review concluded that the core requirements, in addition to an overall assessment of the governance requirements and the personal skills and professional standards matched the overall profile of the Council's current Chief Financial Officer.

## **5.4 Assurance from Management**

Individual Directors, Heads of Service and Managers have provided appropriate assurance that the Council has effective governance arrangements in place but have identified that some operational actions are needed to improve the Council's overall internal control environment. As a result, an action plan has been developed and progress to implement the required improvements will be monitored.

## **5.5 Other Internal Assurance**

### **5.5.1 Audit Services**

The Council's internal audit arrangements are reviewed annually and considered to be effective for 2016/17, conforming to the requirements of the Public Sector Internal Audit Standards. The Head of Audit Services works closely with the Audit Committee and the Corporate Leadership Team to provide regular updates on work performed, including the Council's counter-fraud initiatives. An Annual Report of all work undertaken by the Council's Audit Services is presented to the Audit Committee each year.

During 2016/17 a significant fraud was identified by Internal Audit in respect of an agency member of staff defrauding the Council. This investigation identified a number of instances

where council regulations had not been followed by management, which could have prevented or at least highlighted the presence of fraud.

In terms of audit reviews undertaken in 2016/17 the Councils key financial systems were on the whole found to be operating effectively, many with 'full' or 'substantial assurance'. However, audit reviews of several other service areas identified significant issues with internal control, including non-compliance with Council Financial Regulations.

In conclusion and taking into account all available evidence, Internal Audit has independently rated the standard of internal control in operation across the Council as offering "moderate assurance". This means that the control framework is adequate but a number of controls are not operating effectively. Management have taken significant steps to improve compliance with its regulations and a thorough Internal Audit Plan will be deployed throughout 2017/18 to monitor compliance.

### **5.5.2 Risk Management**

The Council's approach to risk management is outlined in its Risk Management Policy. The Council utilises a corporate risk management system to record identified risks and the mitigation that will be taken to manage them. Risks are regularly reviewed and there is an escalation process for the most significant risks, which ensures that senior management and Members are aware of those risks that pose the most serious threat to the Council and how they are being managed.

Regular risk management reports are presented to all Directorate Leadership Teams (DLT's), the Corporate Leadership Team (CLT) and Audit Committee.

As at the 31<sup>st</sup> March 2017 one net red risk was identified around Joint Commissioning arrangements, which is detailed within the Statement Action Plan.

### **5.5.3 Performance Management**

The Council's approach to performance management continues to evolve in response to the changing context nationally and locally. At the highest level, the Council's Priorities are set out within the Council Plan, which is reviewed annually.

The remit of each of the Scrutiny Boards is aligned to the Priorities in the Council Plan and the scrutiny work plan for 2016/17 was based around the 24 key programmes in the Council Plan. This places the Council Plan at the heart of scrutiny, enabling the Boards to scrutinise delivery in respect of the key programmes in detail and to inform strategy over the whole year. Overall progress in achieving the 13 high level outcomes in the Council Plan was scrutinised by the Resources and Delivering Value Scrutiny Board in March 2017.

Each of the Priorities has a level 1 Policy Deployment Matrix which sets out annual delivery tactics. These are cascaded through the organisation using a range of approaches and are combined with directorate level performance reporting arrangements, with key measures and feature in individual performance and development appraisal objectives.

The Council uses a corporate performance system which has been successfully deployed across the Council to record aims, objectives, milestones, performance indicators and the latest performance commentary. The system serves a variety of established scorecards and reporting arrangements both within Directorates and to Cabinet portfolio holders.

#### **5.5.4 Financial Management**

The Council adopts a cash limited approach to its budget and Cabinet Members and Corporate Directors are responsible for ensuring services are delivered within budget.

#### **5.5.5 Equalities Framework**

The Council monitors and assesses its effectiveness of systems and strategies in place to advance equality and comply with its duties under the Equality Act 2010. As such:

- there have been no prosecutions or enforcement notices issued against the Council for breach of the Equality Act 2010;
- annual equality information is published on the Council's internet pages about our services and employees. The latest information was published in January 2017;
- all new employees attend mandatory equality and diversity training;
- equality and diversity training is available for staff including an e-learning module.

#### **5.5.6 Health and Safety**

An annual health and safety performance report is presented to the Cabinet Portfolio Holder for Resources and Delivering Value. The Report provides an overview of key performance statistics, including the number of accidents, commentary on key aspects of health and safety and looks into the next reporting year to describe the Council's objectives for the coming twelve months. As such, the report confirmed that:

- there have been no fatalities and no prosecutions or enforcement notices issued by either the Health and Safety Executive (HSE) or the Fire Service during 2016/17;
- the continuing delivery of a structured programme of training has enabled approx. 3500 employees (Schools and core Council) to receive some form of health and safety training (both by e-learning and face to face);
- the number of SMBC employee reported accidents has decreased from 227 (2015/16) to 208 (2016/17).

#### **5.6 Assurance from Customers**

Overall, 556 complaints were received in 2016/17 which is an increase of 10.5% compared to the 503 complaints recorded in 2015/16.

The Council also received 1021 compliments in 2016/17, which is an increase of 2.61% compared to the 995 compliments received in 2015/16.

Full details of the numbers and reasons for complaints and compliments are published in an Annual Complaints and Compliments Report that is expected to be presented to the Stronger Communities and Neighbourhood Services Scrutiny Board during 2017.

#### **5.7 Assurance from External Inspections**

##### **5.7.1 External Audit**

The last "Audit Findings" Report issued by Grant Thornton was presented to both Audit and Governance Committees in September 2016. The Report was very positive, did not identify any control weaknesses and made no recommendations for management to consider.

External Audit provided an unqualified opinion on the accounts, an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources and an unqualified opinion on the Council's Whole of Government Accounts submission. In addition, External Audit reported that the Council:

- continues to be financially sound and has robust financial forecasting and monitoring;
- is prioritising its resources within tighter budgets, has been forward thinking and innovative in delivering savings and continues to deliver value for money;
- has a Medium Term Financial Strategy (MTFS) that is realistic and reflects the Council's objectives.

### **5.7.2 Peer Challenges**

A peer challenge is a supportive but challenging 'critical friend' approach to assist councils and their partners to identify what is going well and where improvements can be made. During 2016/17 the following peer reviews were undertaken:

### **5.7.3 Ofsted**

Ofsted is the Office for Standards in Education, Children's Services and Skills. It inspects:

- services that care for children and young people;
- services providing education and skills for learners of all ages;
- local authorities to find out how well they carry out their statutory duties in relation to schools and other providers.

Inspection reports are available on the Ofsted website at [www.ofsted.gov.uk](http://www.ofsted.gov.uk). During 2016/17 an Ofsted inspection of Children's Services was undertaken, an action plan is being implemented and monitored by the Transformation Board.

### **5.7.4 West Midlands ADCS Region**

Solihull completed a self assessment of all children's services, to inform the Peer Review which was undertaken by other regional local authorities in October 2016. Solihull's focus of the review and peer challenge was Special Educational Needs and Disabilities (SEND). The SEND Programme Board is in place and areas for development identified in the peer challenge are overseen by the board.

### **5.7.5 Care Quality Commission (CQC)**

The Care Quality Commission (CQC) monitors, inspects and regulates health and social care services to make sure they meet fundamental standards of quality and safety. The CQC publishes performance ratings to help people choose care that is:

1. Safe
2. Effective
3. Caring
4. Responsive
5. Well-led

The latest inspection reports for each home are available on the Council's website at [www.solihull.gov.uk](http://www.solihull.gov.uk) and on the CQC website at [www.cqc.org.uk](http://www.cqc.org.uk)

All Council provided accommodation for people who need nursing or personal care fully meets the required standards.

### **5.7.6 Ombudsman Complaints**

The Local Government Ombudsman (LGO) provides a complaints handling service to make sure that local public services are accountable to the people that use them and that local authorities put things right when they go wrong. The LGO produces an annual review report (previously called annual letters) for each council about their performance in dealing with complaints made about them to the Ombudsman. A copy is published in July each year on their website at [www.lgo.org.uk](http://www.lgo.org.uk).

For 2016/17, in terms of overall administration, all complaints were dealt with to the Ombudsman's satisfaction. However, the Monitoring Officer did issue two statutory reports under Section 5A of the Local Government and Housing Act 1989 following an Ombudsman's finding of maladministration.

## **6. Group Activities**

Where the Council is in a group relationship with another entity to undertake significant activities, the Annual Governance Statement includes a review of the effectiveness of the system of internal control within such group activities. The following describes the group activities for the year ended 31<sup>st</sup> March 2017:

### Coventry and Solihull Waste Disposal Company Ltd (CSWDC)

CSWDC is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between the two councils. The company is subject to the Waste Incineration Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the company monitors its activities through an Environment, Health & Safety Management System which is independently certified for compliance with the ISO14001 and OHSAS18001 standards.

The company has appointed Ernst & Young LLP as its auditors. The latest published Annual Report and Financial Statements (for the year ended 31st March 2016) and the draft statements submitted (for the year ended 31st March 2017) do not highlight any significant control weaknesses.

### Solihull Community Housing (SCH)

SCH is a 'not for profit' company set up and owned by the Council to manage its housing services. A Management Agreement and Annual Delivery Plan set out the arrangements between SCH and the Council for delivering services and managing performance. SCH is managed by an independent Management Board, has appointed its own external auditors, RSM UK LLP and is subject to internal review by the Council's own Internal Audit.

SCH produces its own Annual Governance Statement and the latest published Statement and the draft accounts submitted (for the year ended 31st March 2017) do not highlight any significant control weaknesses.

### Blythe Valley Innovation Centre Ltd (BVIC)

BVIC provides medium term accommodation for small, innovative companies and is managed by the University of Warwick Science Park Ltd. A Management Agreement sets out their responsibilities for managing and operating the Centre.

BVIC has appointed BDO LLP as its auditors and the latest published Report and Accounts (for the year ended 31st December 2016) did not highlight any significant control weaknesses.

### Urban Growth Company (UGC)

The UGC is a wholly owned subsidiary of the Council led by a Chairman and a Managing Director, accountable to an Executive Board and Shareholders. The UGC is a special purpose vehicle created to realise the full economic potential of the HS2 Interchange Station and related infrastructure. The UGC will act as a catalyst for growth that will enhance the social and economic infrastructure of the Hub area of UK Central.

An overarching Collaboration Agreement sets out the arrangements between the UGC and the Council, with individual Service Level Agreements sitting beneath this.

The UGC has appointed RSM as its external auditors from 2017. The first audit will take place during the summer of 2017.

## **7. Significant Governance Issues**

Using the Council's established risk management approach, "significant" governance issues are those that could potentially lead to one or more of the following impacts:

- avoidable death
- financial implications of more than £250k
- legal action or intervention from a statutory body, partner or enforcement agency
- national media attention, potential Public Interest Report or Judicial Review

Following completion of the annual review of the Council's governance framework, the following action plan details any governance issues that have been assessed as significant.

## Annual Governance Statement – Action Plan for any Identified Significant Governance Issues

### Brought Forward Issues From Previous Year(s):

Identified From	Issue	Description	Responsible Officer(s)	Progress
Internal Audit 2015/16	Limited assurance	<p>There were 4 internal audit reviews undertaken during 2015/16 where the level of internal control fell below the required standard:</p> <ul style="list-style-type: none"> <li>• Adult Social Care Billing</li> <li>• Catering Services</li> <li>• Use of Consultants</li> <li>• Abandoned Vehicles</li> </ul> <p>Each of these areas will be subject to follow up work by Internal Audit, to confirm management assurances that recommendations have been implemented and the level of internal control has improved.</p>	Senior Management and Head of Audit Services	All reviews have been followed up with improvements identified, with the exception of Adult Social Care Billing where a working group was established, including a senior member of Internal Audit to advise on internal controls. It is anticipated that this area will be audited in 2017/18.
CIPFA Delivering Good Governance in Local Government Framework 2016	Implementation of the Framework	<p>CIPFA have introduced a revised Good Governance Framework (April 2016) which all local authorities need to adhere to in preparation for the 2016/17 accounts.</p> <p>An exercise will be undertaken during 16/17 to assess the Authority's existing arrangements against the revised Framework and to introduce improvements where necessary.</p>	Director of Resources and Deputy Chief Executive	<p>An exercise was undertaken during 16/17 to assess the Authority's existing arrangements against the revised Framework and the following improvements were identified:</p> <ul style="list-style-type: none"> <li>- Development of a Corporate Communications Strategy</li> <li>- Review of current partnership working arrangements</li> <li>- Explore the use of technology to record that staff have read and understood the relevant policies and procedures</li> <li>- Review current data protection arrangements to ensure compliance with the new General Data Protection Regulations</li> </ul> <p>Implementation of these improvement actions will be monitored regularly by Governance Services.</p>

## New Issues Identified During 2016/17:

Identified From	Issue	Description	Responsible Officer(s)
Internal Audit 2016/17	Limited assurance for the 5 audits listed	<p>In 2016/17 the Councils key financial systems were on the whole found to be operating effectively, many with 'full' or 'substantial assurance'. However, audit reviews of several other service areas identified significant issues with internal control, including non-compliance with Council Financial Regulations.</p> <p>There were 5 internal audit reviews undertaken during 2016/17 where the level of internal control fell below the required standard:</p> <ul style="list-style-type: none"> <li>• Highways Services</li> <li>• Music Service</li> <li>• Agency Contract</li> <li>• Street Lighting</li> <li>• Neighbourhood Rangers</li> </ul> <p>In respect of all areas reviewed where recommendations have been made, management have given assurances that these will be implemented to improve internal control. Internal Audit has a robust mechanism to follow up all recommendations made and report the outcome to senior management and the Audit Committee.</p>	Senior Management and Head of Audit Services
Risk Register	Joint Commissioning arrangements (Section 75)	<p>Since the dissolution of the Care Trust in 2011, the Council has entered into an annually renewed Section 75 agreement with Solihull Clinical Commissioning Group (CCG). This agreement relates to Section 75 of the NHS Act 2006, in which an agreement can be reached between an NHS and local government body delegating the delivery of defined duties of one party to another. In Solihull, the agreement delegates to the Council responsibility for commissioning defined health services: mental health services for adults, learning disability services, carer services and a range of children's community health services.</p> <p>In order to ensure that duties are being discharged effectively and that we have access to the necessary financial information, governance arrangements set out within the Section 75 Agreement need to be reviewed and revised.</p>	Assistant Director, Commissioning



## 8. Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.



Nick Page  
**Chief Executive**



Councillor Bob Sleight OBE  
**Leader of the Council**