

**SHROPSHIRE COUNCIL  
ANNUAL GOVERNANCE STATEMENT  
2009/10**

### **Standards of Governance**

1. The Council expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, the Constitution and policies of the Council as well as the applicable statutory requirements. The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

### **Scope of Responsibility**

2. Shropshire 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. Shropshire 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.
3. In discharging this overall responsibility, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, which includes arrangements for the management of risk.
4. The Council continues to review its arrangements against best practice and implement changes to improve overall governance arrangements.

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

5. The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of Shropshire 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 these risks efficiently, effectively and economically.

7. The governance framework accords with proper practice and has been in place at Shropshire Council for the year ended 31<sup>st</sup> March 2010 up to the date of approval of the Annual Report and Statement of Accounts.

## **The Governance Framework**

8. The Governance Framework within Shropshire Council encompasses all systems, processes and procedures covering a wide range of services to the public. The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures, protocols and codes by which members and officers operate to achieve the Council's objectives. **Appendix 1** identifies the process which leads to the preparation of the Annual Governance Statement being signed off and published with the Statement of Accounts.
9. Under the Constitution the Leader and Cabinet form the decision-making Executive. Their decisions must be in line with the Council's objectives and are subject to examination by a number of overview and scrutiny committees.
10. The Council Management Team (CMT) is responsible for overseeing and monitoring the control environment. These officers are assigned with the ownership of risks and should routinely monitor and review the related controls as an integrated part of the risk management process. This key management responsibility is supported by the designated roles of the three statutory officers; the Head of Paid Service (Chief Executive), the Chief Financial Officer (Director of Resources) and the Monitoring Officer (Assistant Chief Executive, Legal and Democratic Services), plus Internal and External Audit and other external review agencies (e.g. Ofsted, Care Quality Commission etc).
11. The key elements of the governance framework within Shropshire Council can be sub-divided into the following key areas, as detailed below:

### **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

12. The Shropshire Council Corporate Plan 2009/13 was approved by Shropshire Council in July 2009. The annual review process commenced in autumn 2009 to reflect the emerging priorities from Shropshire's Community Strategy and the budget consultation process. Shropshire Council's Transitional Corporate Plan 2010-2013 was approved by Council in February 2010. The Plan closely mirrors the Community Strategy for Shropshire. The aims relate to:
  - Enterprise and Growth, with strong market towns and rebalanced rural settlements;
  - Responding to climate change and enhancing our natural and built environment;
  - Healthy, safe and confident people and communities.

Within each of the aims there are identified further priorities for improvement. The plan clearly sets out the targets for 2010/11-2012/13. The Corporate Plan has strong links to other plans within Shropshire Council and in the Shropshire community as a whole. A revised Corporate Plan in line with the Council's emerging Transformation Programme will go to Council in July 2010.

13. Quarterly performance reports are forwarded to CMT, Cabinet and the Corporate Performance Management Group on progress against key objectives and targets.

Quarterly performance reports from the corporate performance management system, Performance Plus, are available within 3-4 weeks of the end of each quarter.

14. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
  - We send out a magazine called 'Your Shropshire' every three months to every household.
  - Our website [www.shropshire.gov.uk](http://www.shropshire.gov.uk) (receiving approximately one million unique visitors a year) can help you find out about our services, many of which you can apply for online.
  - We can publish a range of leaflets to tell you about our services, produce annual service plans and monitor their performance.
  - We provide performance information for local areas.

### **Reviewing the authority's vision and its implications for the authority's governance arrangements**

15. The commitments in Shropshire Council's Transitional Corporate Plan are set in a robust performance framework. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
16. The Corporate Performance Management Framework was reviewed and updated for 2009/10, a copy of the framework is attached at **Appendix 2** and includes:
  - The corporate planning process;
  - Regular performance reports on service plans that go to Directorate Management Teams, portfolio holders and Scrutiny;
  - Corporate performance reports that go to Corporate Performance Management Group, Council Management Team, Cabinet, and Council;
  - Monitoring of the Local Area Agreement.
17. There is an established Risk Management framework in place supported by a Risk Management Group led by the Director of Resources with representatives from all Directorates and other key service areas who have a key role in raising the profile of risk management across all areas of service.
18. The Council has a Risk Management Strategy in place which has been fully reviewed in light of the new Shropshire Council's vision and plans. The strategy sets out roles and responsibilities, and the procedures for managing risks within the Council. This is signed and endorsed by the Leader of the Council and the Chief Executive.
19. The Leader of the Council is the Member Risk Champion and regular meetings are held to discuss risk management issues and activities.
20. The strategic risks for Shropshire Council have been identified and incorporated into a risk register and action plans have been put in place to ensure the risks are mitigated as far as possible to ensure minimal impact on delivering the Council's objectives.
21. Information governance is a strategic risk for the Council. The Director of Resources is the Senior Information Risk Owner (SIRO) and the Information

Governance Group considers and reviews risk assessments on the use of personal information on an ongoing basis. Risk assessments are updated to reflect system and service changes.

**Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

22. The Council carries out the national 'Place Survey' annually asking a proportion of residents what they think about where they live and the services they receive, annual budget consultation is carried out around the county for residents and we have a robust complaints process in place.
23. In Shropshire, the results of the survey showed that 87.5 per cent of respondents said they were satisfied with their local area as a place to live. This compares to the national average of 80 per cent. Results also showed that Shropshire is above national average for all other indicators published.
24. Our Citizens Panel takes part in surveys and is involved in detailed focus groups looking at specific projects.
25. Regular performance and risk management reports are produced informing the Council's Management Team, Cabinet, the Corporate Performance Management Group and Risk Management Group on progress.
26. Council receive annual Portfolio Holder Statements including areas of achievement and areas for improvement. An outcome assessment is completed against the corporate aims as part of the Annual Performance Monitoring Report to Council each year.
27. A number of initiatives in relation to procurement activities have delivered significant savings through tendering, improved practices and innovation. Examples include e-auctions (delivered savings of £910,000 over the next five years), corporate framework contracts, flexible procurement of energy, continued active support and links with the Regional Improvement and Efficiency Partnership and collaboration procurement with other Local Authorities.
28. The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are in the top quartile. Services used include:
  - Price Waterhouse Coopers (PWC) national county council initiative.
  - Society of County Treasurers (SCT).
  - Association for Public Service Excellence (APSE).
  - Chartered Institute of Public Finance Accountants (CIPFA).
29. Shropshire Council's estimated savings in 2009/10 of £8,999,000 combined with the actual savings achieved in 2008/09 of £8,328,974, identifies potential cumulative savings of £17,327,974 against a target under the Comprehensive Spending Review 2007 (CSR07) of £25,310,000 for the three years 2008/09 to 2010/11. The identification of cash releasing efficiencies to fund front line service delivery is an integral part of the Council's budgetary process.

30. The move to a Unitary Council for Shropshire achieved future targets for service improvement and delivered efficiency gains in excess of £7.18 million (included in the overall CSR07 efficiency savings) from support service areas, as identified in the “Unitary” business case.
31. Overall for 2008/09 the Audit Commission assessed Shropshire Council as performing well in arrangements for Managing Finance, Governing the Business and Managing Resources. The Council is the only one of the five ‘continuing county councils’ following local government reorganisation to be assessed as performing well and, on a simple arithmetic basis, one of the top ten performing single tier and county councils in England.
32. The Audit Commission issued an unqualified opinion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the Use of Resources judgement.

**Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

33. Shropshire Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. More detailed procedures and codes of practice are provided in rules and protocols at the end of the Constitution.
34. Within the Constitution, Article 13 sets out the responsibilities and procedures for decision making. These are designed to ensure that all decisions will be made in accordance with the following principles:
  - Proportionality (i.e. the action must be proportionate to the desired outcome).
  - Due consultation and the taking of professional advice from officers.
  - Respect for human rights.
  - A presumption in favour of openness.
  - Clarity of aims and desired outcomes.
  - Consideration of alternative options.
  - Recording reasons for the decision, including details of any alternative options considered and rejected and
  - That in relation to decisions of the Cabinet that these are lawful and consistent with the powers delegated by the Council.
35. The Cabinet is the Council’s key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, and up to nine councillors. Major decisions are published in the Executives’ Forward Plan and are discussed with council officers at a meeting of the Cabinet which will normally be open for the public to attend, except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council’s overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

36. There are five Scrutiny Committees that support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. Scrutiny Committees also monitor the decisions of the Cabinet. They can 'call-in' a decision which enables them to consider whether the decision is appropriate and may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

36. Codes of Conduct for both Members and Staff are contained within the Constitution.
37. The Standards Committee monitors and reviews the operation of the Codes and Protocols to ensure that the aims and principles of the Constitution are given full effect.
38. All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided for officers as necessary and appropriate induction sessions are arranged for all new staff.
39. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Director of Resources) and the Monitoring Officer (Assistant Chief Executive, Legal and Democratic Services).

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

40. Financial Rules, Contract Rules, Policies and Procedures, Codes of Conduct, Financial Manuals and Guidance are all in place and available to staff in paper and electronic formats. All were reviewed in preparation of the new Unitary authority. Codes and protocols forming part of the Constitution are reviewed on a regular basis or in the light of significant change.
41. The Monitoring Officer (Assistant Chief Executive Legal and Democratic Services) is responsible for making recommendations for ways in which the Constitution can be amended or improved. Changes to the Constitution must be approved by full Council, subject to the Assistant Chief Executive, Legal and Democratic Services making routine revisions and replacing references to any repealed or amended legislation, or secondary legislation with current references.
42. In addition to the above, in order to allow the Council to make the many decisions that are required on a daily basis, responsibilities for certain decisions are delegated to Senior Officers which are identified in Section 8 of the Constitution "Delegations to Officers".

## **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement in the Role of the Chief Financial Officer in Local Government (2010)**

43. The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Systems operating within Shropshire Council are based upon a framework of regular management information and financial reporting to councillors and officers. The financial management system includes:
- A strong culture amongst our Service Managers and Directorate Management Teams of being responsible for financial management. Our managers work very hard to get the best service for their clients from the available resources.
  - A detailed medium term financial planning process.
  - Identification of high risk budgets for more detailed monitoring.
  - Detailed capital appraisal process which feeds into a five year capital strategy.
  - Monthly financial monitoring reports to managers indicating projected financial performance against budgets.
  - Quarterly revenue budget monitoring reports to Cabinet and Strategic Overview and Scrutiny Committee.
  - Capital monitoring: quarterly capital monitoring reports to Cabinet and Strategic Overview and Scrutiny Committee.
  - Officer delegated decisions in accordance with approved delegations, codes and policies (e.g. Treasury Management).
  - Highly effective Internal Audit.
  - Effective working relationships with the Audit Commission.
44. The system of internal financial control is subject to regular review by both the Council's Internal and External Auditors who adhere to professional standards.

## **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities**

45. The Council has in place an effective Audit Committee who is seen as a key part of providing assurance on the Council's overall system of internal control and corporate governance arrangements. They undertake the core functions of an audit committee as identified in CIPFA's Audit Committee – Practical Guide for Local Authorities and have a full work programme. They monitor the work of both internal and external audit and receive a range of other reports for scrutiny. An ongoing training programme has been put in place for all Audit Committee members to ensure they have the appropriate skills and knowledge to scrutinise and challenge the reports they receive. They also consider the annual report on the review of the effectiveness of the Council's system of Internal Audit.

## **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

46. The Assistant Chief Executive, Legal and Democratic Services and her team have a key role in ensuring compliance with the Constitution and issuing advice and guidance on new legal developments and compliance with current legislation. The Unit is Lexcel accredited and has Legal Officers who specialise in specific areas of Council activity e.g. Education, Social Care and Health, etc.

47. Officers in Legal and Democratic Services have a key role to play in helping to ensure that the principles enshrined in the Constitution (sustainable decision-making, robust scrutiny, the rules of natural justice, standards of conduct, efficiency, transparency and high standards of corporate governance) are delivered in practice through the Council's administrative process.
48. The Director of Resources also has a responsibility to highlight any proposal, decision or course of action which will involve any lawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

### **Whistle Blowing and for receiving and investigating complaints from the public**

49. Whistle Blowing arrangements are in place and any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Service Directorates. Leaflets on 'Speaking Up About Wrongdoing' which incorporates whistle blowing have been re-distributed to staff members, contractors and partners in January 2010. Human Resources carry out regular briefing sessions for staff on Harassment and Bullying, Speaking Up About Wrongdoing and Code of Conduct. A reminder to all staff about the process for speaking up about wrongdoing was provided on the Intranet in January 2010.
50. Standards Committee are responsible for the monitoring and overview of the Speaking Up About Wrongdoing Policy and receive an annual report.

### **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

51. Members undergo individual development reviews which are member led. A six monthly rolling programme of seminars tailored to meet their development reviews is put on for members who are also supported in their attendance at external conferences. Topics of specialist interest have included safeguarding for both children and young people recognising the corporate parent responsibility and vulnerable adults.
52. Senior officers' development priorities are identified via the Council's appraisal system. Additionally during the past eighteen months top team development projects have been developed and delivered. Future development plans will focus around four key areas: membership and leadership development; essential skills development; transformational development and career development.
53. In relation to specific generic training, such as to ensure risk management is embedded throughout the Council, monthly general awareness training sessions are held which are open to all staff. In relation to information governance all staff handling personal data are undergoing an internet training package.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

54. Twenty eight Local Joint Committees (LJC's) were set up following the inauguration of the new Council in June 2009. Each local committee meets quarterly and is made up of Shropshire Councillors and town and parish councillors, all with an equal vote. The committees work with local people and



organisations, involving them in decision making and holding public service providers to account. The committees strengthen the role of the existing town and parish councils and improve the quality of parish delivery and help to promote parish planning.

55. Each local committee has a delegated budget calculated on a per head of population together with a sparsity factor to acknowledge the rurality of the county. Financial procedures are in place with local decisions on priorities determined by the Committee Members.
56. The Citizens' Panel was established by the Shropshire Partnership in February 2008, the panel currently consists of approximately 1,700 local people from all areas of Shropshire who take part in consultations on an ad hoc basis.
57. The Consultation Portal, hosted by the Shropshire Partnership, is an online database listing all past, current and planned consultation activities the Council and its partners are involved in. The portal provides summary information about each consultation and provides contact details and a link to the relevant document or website so that members of the public can find out more if they wish to. The portal can be accessed through the Shropshire Partnership's website [www.shropshirepartnership.org.uk](http://www.shropshirepartnership.org.uk)
58. In addition to the above there are a number of other ways in which the Council seeks views and consults with various groups such as:
  - Speaking Out Group: A group of 15-20 young people aged 11 to 18 giving young people a voice in the work of Shropshire Council.
  - Forums: such as the Shropshire Partnerships Equalities Forum.
  - Taking Part: A group of adults with learning disabilities, supported by advocates that gives adults with learning disabilities the opportunity to influence service provision and development.
  - Youth Parliament: Local Democracy Week is held in October which encourages young people throughout the county to stand for election as a Member of Youth Parliament (MYP). Elections are held annually in January. Voting takes place in schools, colleges and community venues. All young people aged 13-19 are entitled to vote. The role of the MYP is to represent the views of young people in Shropshire. Each January young people vote on their top issues, the two most popular issues then form the basis for the MYP manifesto for the year. The MYPs also choose a regional issue to support. In addition they represent young people on a range of groups, such as the Leadership Board, scrutiny panels, attend meetings with lead officers and attend monthly meetings with the Young People's Speaking Out Group.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

59. The Council's governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and Corporate Performance Management Framework.

60. The Council's work in partnership and with other groups utilises aspects of the governance framework already in place, such as performance, risk and financial management processes.
61. The Voluntary Sector Compact is a set of shared principles and guidelines for effective partnership working between Shropshire Council and the Voluntary and Community Sector (VCS). The current Compact was adopted by the Council in November 2009. A Compact Implementation Group leads Compact work for the County and links to a Compact Champions Network, and sub groups focusing on disputes and resolution, training and communications and funding and commissioning. Shropshire Compact has recently been voted best Unitary Resourced Compact by the national body, Compact Voice.
62. Shropshire Voluntary and Community Sector Assembly is now well established as the voice of the VCS in Shropshire. The Assembly has over 300 members and is formed of a Board and 14 forums of interest: groups of organisations with a common interest (for example heritage, disability, health and social care, arts, housing etc.) The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities.

### **Review of Effectiveness**

63. Shropshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of Internal Control. The review of the effectiveness of the governance arrangements is informed by the Corporate Directors and senior managers within the authority who have responsibility for the development and the maintenance of the internal control environment. All Corporate Directors have confirmed that, to their knowledge, internal control systems and governance arrangements are operating adequately in their areas and/or steps are being taken to address known areas of weakness; the work of Internal Audit and Risk Management; Findings and comments made by the External Auditors, other review agencies and inspectorates and the Head of Paid Service (Chief Executive), Chief Financial Officer (the Director of Resources) and the Monitoring Officer (the Assistant Chief Executive Legal and Democratic Services).
64. The Cabinet monitors the effectiveness of the internal control system via the consideration of regular performance and financial information reports from senior management. Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on the performance in their area.
65. Scrutiny Committees have a role in the review of policies and their outcomes, development of new policies, and in the performance of services. Scrutiny chairs produce an annual report on the work of their panels.
66. The Internal Audit Service continually works with managers in assessing the control environment and enhancing controls where necessary. There is in place a four year risk based strategic internal audit plan which examines all key financial and managerial systems, endorsed by the Audit Committee. Internal Audit's objectives include:

- Independently reviewing and appraising systems of control throughout the Authority.
- Recommending improvements in systems procedures, controls, and productivity in achieving the corporate aims and objectives.
- Working in partnership with our External Auditors ensuring effective audit cover and optimising available audit resources.
- Working within the Authority’s Counter Fraud and Anti Corruption Strategy and undertaking fraud and irregularity investigations as necessary.

**Significant Governance Issues**

67. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and whilst generally satisfied with the effectiveness of the Council’s corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the coming year to ensure continuous improvement of the systems in place.

- The delivery of the Transformation Programme to ensure that we build on the success of the delivery of the new Shropshire Council, with focus on ensuring that we work together and demonstrate our capability of making major change happen successfully; that we continue to change to respond to the new challenges that we face; that we know best how we can improve the services we offer; that we offer our staff a “new deal” and that we are committed in keeping staff up to date on what is happening. The management of risk will be a key part to ensuring the continued delivery of high quality services.
- International Financial Reporting Standards (IFRS): to continue with our programme of work, to ensure that the Council meets the deadlines for producing accounts that are compliant with the International Financial Reporting Standards.

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Leader

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Chief Executive

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Director of Resources

