Committee and Date	Item
Audit Committee 16th June 2011 10.00am	**9** Public

ANNUAL GOVERNANCE STATEMENT AND A REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROLS 2010/11

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1. Summary

1.1   The Council is required under Regulation 4(3) of the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Chief Executive. This statement should be considered following a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations 4(2). Members are asked to consider the proposed statement, the basis on which it has been compiled and comment on its contents, this will help ensure that it remains a true reflection of the internal controls of the Council for 2010/11.

2. Recommendations

2.1   The Committee is asked to consider and approve, with or without comment, the Annual Governance Statement 2010/11 at **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1.   Risk management is part of the overall internal control arrangements and contributes to the Council's strong governance.

3.2.   The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.

3.3.   There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement by seeking assurances from senior officers as to the effectiveness of internal controls.

4. Financial Implications

There are no financial implications in respect of the Statement, these may arise when implementing future improvement activities and will be reported separately.

5. Background

5.1   Shropshire Council is required to prepare an Annual Governance Statement (AGS). The requirement was introduced in the Good Governance Framework introduced by CIPFA/SOLACE in 2007 and is a statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011.

5.2   The CIPFA/SOLACE governance framework clearly sets out the fundamental principles of corporate governance. The framework is a discretionary code but the Council is judged against it as part of best practice. The framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.

5.3   The framework emphasises that good governance and therefore, the process and statement should be corporately owned. The degree to which the Council follows these principles should be declared in its Annual Governance Statement. The purpose of the Annual Governance Statement is to provide assurance that the Council has sound governance arrangements in place that are supported by effective systems of internal control.

5.4   The six core principles referred to in the framework defining the principles of good governance are:

   i)   Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

ii)   Members and officers working together to achieve a common purpose with clearly defined functions and roles.

iii)   Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

iv)   Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

v)   Developing the capacity and capability of members and officers to be effective.

vi)   Engaging with local people and other stakeholders to ensure robust public accountability.

5.5   In line with best practice the Council's existing Code of Corporate Governance has been reviewed and revised in light of the guidance issued.

5.6   In compiling the Annual Governance Statement the guidance identifies it should include the following information:

➢   Scope of Responsibility.

➢   The purpose of the governance framework.

➢   A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements.

➢   Review of effectiveness.

➢   Significant governance issues including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.

5.7   The Annual Governance Statement is a key corporate document with the Chief Executive and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. The preparation of the Annual Governance Statement will be overseen and approved by the Strategic Management Board as a corporate document which is owned by all senior officers and Members.

5.8   In compiling the Annual Governance Statement assurance a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2011 4(2), is conducted and information is obtained from a range of sources so that the signatories to the Statement can assure themselves that it reflects the governance framework for which they are responsible. **Annex A** of the Annual Governance Statement Framework 2010/11, clearly identifies the areas from which assurance and supporting

evidence has been obtained to support the Annual Governance Statement and therefore demonstrates the effectiveness of the Council's systems of internal control and further key assurances are provided from:

- ➤ The Chief Executive (as Head of Paid Service).

- ➤ Directors and senior officers.

- ➤ The Interim Corporate Head of Finance and Section 151 Officer, as the Responsible Financial Officers.

- ➤ The Corporate Head of Legal and Democratic Services as Monitoring Officer.

- ➤ The Audit Service Manager.

- ➤ Performance and Risk Management Officers and

- ➤ External Audit and other review agencies.

5.9   Where any significant governance issues are identified within the assurances received these must be identified in the Annual Governance Statement.

5.10   The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place contributing to our continuing high standards or corporate governance. A copy of the Statement is attached as **Appendix A**.

5.11   The Council has identified two significant governance issues. They are:

- • The continued delivery of our Medium Term Financial Strategy incorporating significant saving programmes aligned to improved service delivery through the Transformation Programme.

- • The embedding of the New Operating Model and delivery of the Transformation Programme to ensure that we build on the success of the new Shropshire Council, with focus on ensuring that we:
    - • work together and demonstrate our capability of making major change happen successfully;
    - • continue to respond to the new challenges that we face;
    - • consider to ensure the best delivery models for our services;
    - • continue to offer our staff a "new deal" and remain committed to keeping staff up to date on what is happening.
    The management of risk will be a key part to ensuring the continued delivery of our high quality services.

5.12   Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both of these issues over the current and future years.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

➢ CIPFA/SOLACE - Publication - Delivering good governance in local government. Guidance note for English Authorities and Framework.
➢ Meeting the requirements of the Accounts and Audit Regulations 2011.
➢ Application Note to Delivering Good Governance in Local Government: A Framework CIPFA/SOLACE (March 2010)

Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.

Local Member
N/A

Appendices
Appendix A - Annual Governance Statement 2010/11

SHROPSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT
2010/11

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 Council 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(3) of the Accounts and Audit Regulations 2011 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 achievement of Shropshire Council's policies, key priorities, 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 31st March 2011 up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

8. Shropshire Council's Governance Framework 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 service delivery and achievement of the Council's key priorities. **Annex A** 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 Senior Management Board (SMB) is responsible for overseeing and monitoring the control environment. These officers have overall responsibility for the 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 (Corporate Head of Finance) and the Monitoring Officer (Corporate Head of 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. Shropshire Council's Transitional Corporate Plan 2010-2013 was approved by Shropshire Council in February 2010. The plan closely reflects the Community Strategy for Shropshire (2010-2020) and is structured around the three key aims of:
    *   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.

13. 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. The diagram at **Annex B** illustrates how the Corporate Plan fits with other plans and shows our approach to planning for efficient service delivery.

14. In response to the changes being developed and announced by the new Coalition Government, and the need to change the way that the Council will work now and in the future a blueprint for the Council; the Target Operating Model, was developed and agreed rather than forming a new Corporate Plan in the summer 2011. This decision was taken. The Target Operating Model is attached at **Annex**

C which illustrates the key components of the council future focus including locality and cost.

15. The Council's Medium Term Financial Plan was reported to 10 November 2010 Cabinet. The Plan set out seven priorities for the Council going forward which have developed into the following:
    - Flourishing Shropshire Communities
    - Greater Public Confidence
    - Better Health and Wellbeing
    - Better Education Attainment and Work Placed Skills
    - Economic Growth and Prosperity
    - Modern Infrastructure and different ways of working
    - Organisational development and behaviour change

16. These priorities are forming the basis for the Council's future Transformation Plan and emerging Outcomes Framework.

17. A new Corporate Plan is also being developed that will be based on outcomes and impact, and have a clear emphasis on the focus and role of the new Council. It is planned to report the new plan to Cabinet in July 2011 and Council in September 2011.

18. Monthly performance reports are forwarded to SMB, Cabinet and the Corporate Performance Management Group on progress against key objectives and targets. Monthly performance reports from the corporate performance management system, Performance Plus, are available within three to four weeks of the end of each quarter.

19. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
    - Our website 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 have launched Shropshire Newsroom (www.shropshirenewsroom.com). This hosts all the latest Council news stories with podcasts videos and photographs available from our Flickr account
    - We work with colleagues in the local, regional and national media to compliment Shropshire Newsroom and ensure people can access information about the Council.
    - We work with all service areas to ensure that they are reaching and targeting the key customers, stakeholders and partners in the most appropriate way.
    - We use social media (Twitter and Facebook) as a further method of disseminating our information.
    - We provide performance information for local areas.

Reviewing the authority's vision and its implications for the authority's governance arrangements
20. 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.

21. The Corporate Performance Management Framework was reviewed and updated for 2009/10, a copy of the framework is attached at **Annex B** and includes:

- The corporate planning process;
- Regular performance reports on service plans that go to Directorate Management Teams, portfolio holders and on an exception basis to Scrutiny;
- Corporate performance reports that go to Corporate Performance Management Group, Senior Management Board, Cabinet, and Council;
- Monitoring of the Local Area Agreement - which included identifying legacy projects for continued monitoring following the abolition of LAAs by the Coalition Government.

22. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Team and led by the Corporate Head of Business Improvement, Officer Champion, and Lead Chair of Scrutiny, Member Champion, who have a key role in raising the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive the Leader of the Council and the Member Champion.

23. The strategic risks for Shropshire Council have been identified 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.

24. Information governance is a strategic risk for the Council. The Corporate Head of Legal and Democratic Services 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

25. The Council has previously carried out the national 'Place Survey' on an annual basis. However, this survey was ceased by the Coalition Government and therefore not carried during 2010/11. Specific service areas seek customer feedback both through systematic customer feedback, and through annual surveys, for example the Adult Social Care Survey has recently been carried out for the first time. The results are expected during 2011/12.

26. The council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives and value for money. For example Partnership Boards are in place including for people with learning Disabilities, Family Carers and people with Disabilities. The Boards receive information on service performance and provide the forum for service user representatives to feedback on the services they receive.

27. Regular performance and risk management reports are produced informing the SMB, Cabinet, the Portfolio Management Board, the Corporate Performance Management Group and the Risk Management Group on progress.

28. 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.

29. Further initiatives in relation to procurement activities have continued to deliver significant savings through tendering, negotiations, improved practices and innovation. Examples include further e-auctions (delivered savings of £1.36M over the next five years), use of national and corporate framework contracts and flexible procurement of energy, continued active support and links with the Regional Improvement and Efficiency Partnership and collaboration procurement with other Local Authorities.

30. 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).
   *   Association of Local Authority Risk Managers (ALARM)

31. The Council's 2010/11 Budget Strategy incorporated savings of £7.5m. The savings proposals consisted of 'List One' and 'List Two' proposals. The 'List One' savings of £4.5m had no major service implications and were delivered through efficiency savings or savings through deletion of vacant posts, voluntary early retirement and redundancies. Savings in 'List Two' of £3.0m were more difficult to achieve and involved service reductions and the deletion of posts that gave rise to redeployment.

32. The delivery of these savings was required in order to fund service transformation in planning, housing, environmental services and leisure, to prepare for reduced Government funding and to respond to the current tough economic conditions which is reducing the Council's income.

33. In their Annual Audit Letter the Audit Commission identified that, "the process of local government reorganisation presented a significant challenge to the Council in ensuring that the services provided by the demising district councils and County Council were properly integrated into the new Council, whilst maintaining the provision of good quality services to the public. The Council achieved a successful transition and this is testimony to the hard work of officers and members in driving the process through."

34. The provisional financial settlement was announced on 13 December 2010, with the frontloading of cuts. "You have indicated your anticipated reduction to be in the order of £66 million over a four-year period. The funding shortfall, known pressures and growth requirements all need to be managed for 2011/12. Your latest estimates for the next three years are £30 million savings in 2011 and £38m in the next two years. Additional savings were identified to meet the grant cuts in the 2010/11 financial year. You are currently working through the detail, but through the 'Join the Conversation' campaign, organised and co-ordinated by the Council, all local public services, including the Council, the police, the fire and rescue service, the health service's primary care trust, and Jobcentre Plus, are coming together to help shape the changing face of public services in Shropshire".

35. The Audit Commission issued unqualified opinions on the Council's financial statements and those of the Pension Fund on 30 September 2010.   An

unqualified opinion for value for money was issued after assessing the Council's arrangements to achieve economy, efficiency and effectiveness in use of money, time and people against specified criteria.

36. The Audit Commission inspection of Shropshire's housing benefits service assessed the council as providing a 'fair', one-star service that, because of the approach adopted, has promising prospects for improvement.   It recognised that the transition to a unitary council had been managed well both corporately and at a service level and that the new service delivery arrangements saved £781,000 in the first year. The service is proactive and successful in promoting the take-up of welfare benefits, works well with its partners and stakeholders to help vulnerable people to get money advice and information on other benefits, providing an excellent service particularly for older people.

37. There have been some work backlogs particularly around housing claim processing. Dealing with these challenges has dominated the first year of the new combined service. Senior managers have had a positive impact on the Service, both in raising expectations, improving performance and in starting to change the organisational culture of the service. As a result the speed of processing new claims and reported changes has improved and is consistent across the County.

38. The results of a Care Quality Commission (CQC) inspection of 'Adult Safeguarding' within Shropshire Council were announced in early 2010. Shropshire was assessed as performing well with a promising capacity to improve even further. It was found that the Council and its partners gave a high priority to Adult Safeguarding and was working to continuously and successfully improve the safeguarding arrangements. It was highlighted that the Council had developed some effective and innovative ways of working with people with a learning disability in the area of safeguarding. The Council has also effectively managed most safeguarding investigations and had in place sound arrangements for procuring services and contract monitoring. We also had strong systems in place for supporting people who lacked mental capacity through Shropshire Council's Joint Mental Capacity Act and Deprivation of Liberty Safeguarding Team.

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

39.   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 contained in the Constitution.

40.   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.

41. 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.

42. 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
43. The Constitution includes Codes of Conduct for both Members and Staff.

44. 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.

45. 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.

46. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Corporate Head of Finance) and the Monitoring Officer (Corporate Head of 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
47. 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. A number have been, and continue to be, reviewed in preparation of the new operating model for the Council. Codes and protocols forming part of the Constitution are reviewed on a regular basis or in the light of significant change.

48. The Monitoring Officer (Corporate Head of 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 Corporate Head of Legal and Democratic Services making routine revisions and replacing references to any repealed or amended legislation, or secondary legislation with current references.

49. 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)

50. The financial management arrangements conform to 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 directors, corporate heads of service, group and service managers and service 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.
- Monthly revenue budget monitoring reports to Cabinet.
- Monthly capital budget monitoring reports to Cabinet.
- Specific exception reports in respect of capital and revenue issues to the Performance and Strategy 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.

51. 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

52. 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

53. The Corporate Head of 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.

54. 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.

55. The Corporate Head of Finance also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

Whistle Blowing and receiving and investigating complaints from the public

56. Whistle Blowing arrangements are in place and any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Leaflets on 'Speaking Up About Wrongdoing' which incorporates whistle blowing have previously been re-distributed to staff members, contractors and partners in January 2010 and the policy is available on the intranet as part of the employee handbook. In addition, a staff administrator notice was circulated in late 2010 and as part of the staff induction process, new employees are given a copy of the leaflet and the schools version of the policy has been revised and published on the Learning Gateway.

57. All staff and members have been asked to complete on-line fraud awareness training and integral to this training, is advice on how to raise concerns through the whistle blowing channel.

58. 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

59. Member development is delivered through a Community Leadership & Development Framework of blended learning, structured enough to ensure good planning and flexible enough to remain dynamic. Focused on six themes as follows:

  - **Induction programme** for members of Shropshire Council.
  - **Focused Local Learning**: that which is required to meet the needs of the governments 'Big Society' agenda in terms of Community Leadership and developing resilient communities to do more for themselves. This includes defining the community leadership role and a skill framework of how to do it well.

- **Essential training**: which includes - safeguarding for both children and adults, code of conduct, recognising the corporate parent responsibility and single equality act awareness.
- **A programme of briefings information & support** to help members fulfil their role safely and effectively. e.g. the Health Reforms, regulatory committee work, new ways of organisational working.
- **Specific individual development needs -** assessed through development conversations between and with members' e.g. public speaking, dealing with difficult situations, speed reading.
- **Making a difference through overview and scrutiny-** development through task and finish groups.

60.   Senior officers' development priorities are identified via the Council's appraisal system. An essential skills development framework for managers was piloted between July and September 2010. Following evaluation, essential skills for managers was launched across the organisation in October 2010. Further learning and development offerings such as induction, customer care and appraisal skills are available via the corporate L&D programme.

61.   In relation to specific generic training, such as to ensure opportunity 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

62.   Twenty eight Local Joint Committees (LJC's) were set up following the inauguration of the new Council in June 2009. Each local committee meets formally at least twice a year, with the opportunity for extra informal meetings where local people and issues require, 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.

63.   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.

64.   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.

65.   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

66. 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, Senior Citizens.
    - 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 MYP's also choose a regional issue to support. In addition they represent young people on a range of groups, such as the Leadership Board, 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.

67. 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.

68. 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.

69. 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.

70. Shropshire Voluntary and Community Sector Assembly is now well established as the voice of the VCS in Shropshire. The Assembly has over 300 members with 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

71. 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 directors and senior managers within the authority who have responsibility for the development and the maintenance of the internal control environment. All directors and senior managers 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. In addition:
    - 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 (Corporate Head of Finance) and the Monitoring Officer (Corporate Head of Legal and Democratic Services) all contribute to the identification of any known areas of weakness to be addressed.

72. The Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from the senior management board. 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.

73. 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. The Lead Chair of Scrutiny is the Risk Management Member Champion.

74. 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

75. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and whilst 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 continued delivery of our Medium Term Financial Strategy incorporating significant saving programmes aligned to improved service delivery through the Transformation Programme.

- The embedding of the New Operating Model and delivery of the Transformation Programme to ensure that we build on the success of the new Shropshire Council, with focus on ensuring that we:
    - work together and demonstrate our capability of making major change happen successfully;
    - continue to respond to the new challenges that we face;
    - consider to ensure the best delivery models for our services;
    - continue to offer our staff a "new deal" and remain committed to keeping staff up to date on what is happening.

The management of risk will be a key part to ensuring the continued delivery of our high quality services.

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Leader   Chief Executive

Governance Framework – Key Documents/Functions

- Partnership Community Strategy
- Local Area Agreement
- Constitution
- Corporate Plan
- Performance Plan
- Service Planning Framework
- Portfolio Holder Statements
- Business Transformation Projects
- Community Engagement Strategy
- Communication Strategy
- ICT Strategy
- Human Resources Strategy
- Dignity and Respect Policy

- Performance Management Framework
- Schedule of Council Meetings

- Core Values
- Council Procedure Rules
- Record of Decisions
- Partnership Guidance
- Code of Conduct for Members
- Members Induction and Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Register of Interests
- Confidential Reporting Policy
- Code of Corporate Governance
- Opportunity Risk Management Strategy
- Risk Registers and Control Frameworks
- Counter-Fraud and Anti Corruption Strategy
- Whistle Blowing Policy

- Capital Appraisal Process
- Information Governance Policy
- Procurement Strategy
- Contract Rules
- Financial Rules
- Medium Term Financial Plan/Budgets
- Treasury Management Framework
- Annual Statement of Accounts
- Scheme of Delegation
- Delegations to Officers
- Complaints Process
- Voluntary Sector Compact
- Social Inclusion Strategy
- Equalities and Diversity Policy and Action Plan
- Business Continuity Plan
- Health and Safety Policy

Annual Governance Statement

Signed by the Leader of the Council and Chief Executive to accompany the Statement of Accounts

Independent review and approval by Audit Committee who examine draft AGS
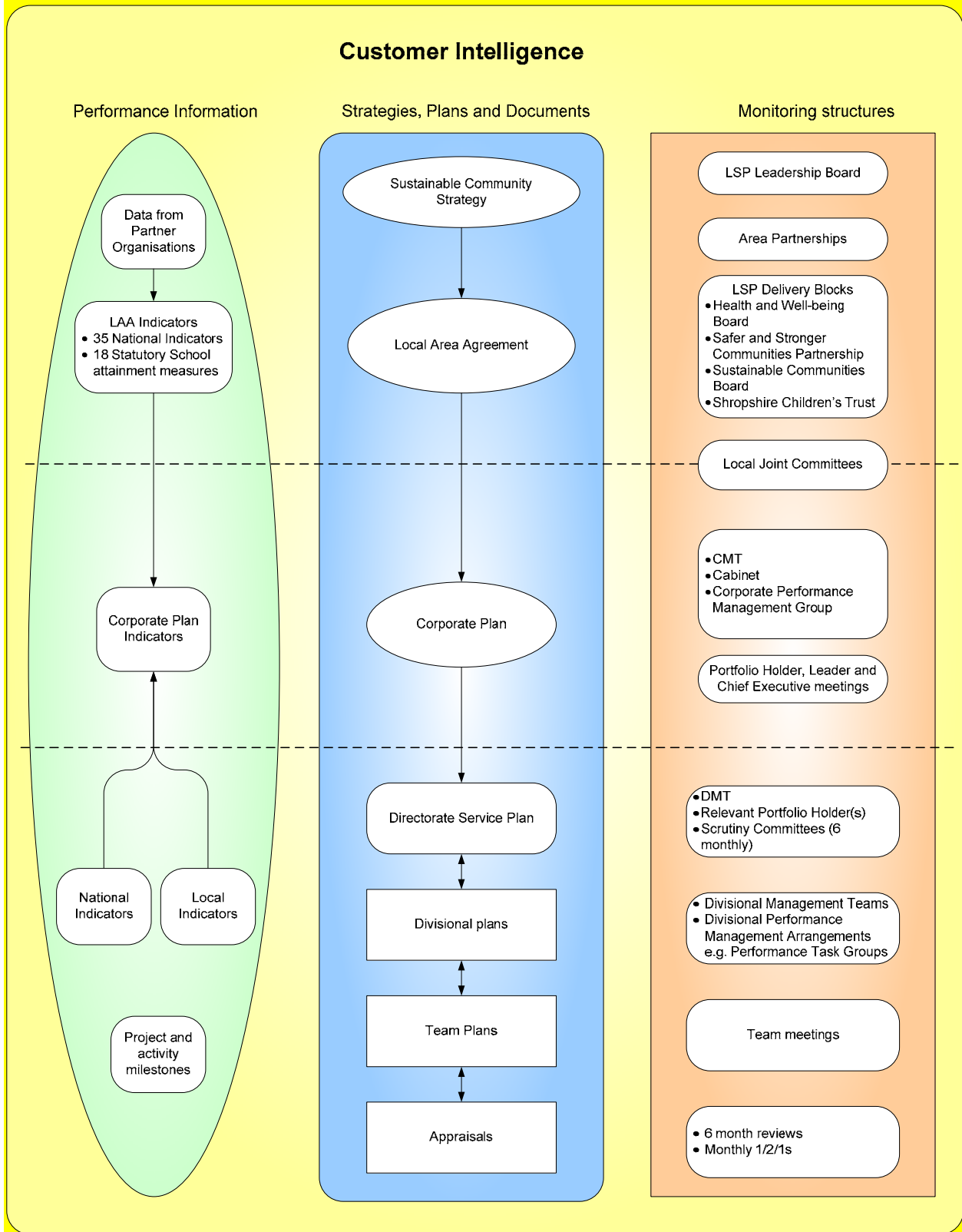
Authority, Directorate Policies and Service Policies, Business Plan and Risk Registers

Strategic Management Board with responsibility for drafting AGS after evaluating assurances and supporting evidence

Review of the Effectiveness of the system of Internal Audit

Performance Management & Data Quality	Risk Management	Information Governance	Legal and Regulatory Assurance	Members' Assurance	Assurances by Directors/ Senior Officers	Other Sources of Assurance (including third-party)	Financial Management	Internal Audit	External Audit
• Embedded system • Operates throughout the organisation • Internal and external reviews • Action orientated • National/Local KPIs • Periodic progress reports • Corporate Performance Management Group • Data Quality Strategy	• Opportunity Risk Management Strategy • Embedded in planning processes and project/partnership methodologies • Effectiveness evaluated • Outcomes reported to Committee • Training Programme	• Corporate Information Governance Policy • Training Programme • Outcomes reported to Committee	• Monitoring Officer's reports • Sections of Committee Reports • Legal Advice	• Standards Committee • Scrutiny Function	• Annual Management Assurance Statements • Periodic Reports	• Reports by Inspectors • Service Review reports • Fraud Reports and Investigations • Ombudsman reports • Post Implementation reviews of projects • Investors in People Accreditation	• Medium Term Financial Plan • Revenue Budget and Capital programme • Revenue and Capital Monitoring reports • Treasury Management • Schools Accredited under SFVS Standard • Statement of Accounts • Compliance with Codes of Accounting Practice • Statutory returns • Grant Claims	• Operates under approved Strategy and Terms of Reference • Approved risk based plans • Periodic and annual reports to Audit Committee, including Head of Audit's opinion • CIPFA Code compliance assessment • External Audit Review	• Annual Plan • Annual Governance Report • Annual Audit and Inspection Letter • Audit Opinion and VFM conclusion • Ad hoc reports

ONGOING ASSURANCE ON ADEQUACY AND EFFECTIVENESS OF CONTROLS OVER KEY RISKS

Corporate Performance Management Framework

Customer Intelligence

Performance Information	Strategies, Plans and Documents	Monitoring structures

Performance Information:
- Data from Partner Organisations
- LAA Indicators
  - 35 National Indicators
  - 18 Statutory School attainment measures
- Corporate Plan Indicators
- National Indicators
- Local Indicators
- Project and activity milestones

Strategies, Plans and Documents:
- Sustainable Community Strategy
- Local Area Agreement
- Corporate Plan
- Directorate Service Plan
- Divisional plans
- Team Plans
- Appraisals

Monitoring structures:
- LSP Leadership Board
- Area Partnerships
- LSP Delivery Blocks
  - Health and Well-being Board
  - Safer and Stronger Communities Partnership
  - Sustainable Communities Board
  - Shropshire Children's Trust
- Local Joint Committees
- CMT
- Cabinet
- Corporate Performance Management Group
- Portfolio Holder, Leader and Chief Executive meetings
- DMT
- Relevant Portfolio Holder(s)
- Scrutiny Committees (6 monthly)
- Divisional Management Teams
- Divisional Performance Management Arrangements e.g. Performance Task Groups
- Team meetings
- 6 month reviews
- Monthly 1/2/1s

"Hub and Spoke" Target Operating Model

LOCALITY WORKING
V4 Aug 2010

Frontline Delivery

NORTH
Area Manager

(Area Teams and Business Units)

Market Towns

Heads of Key Functions and processes

Principal Advisers

(Professional/Technical Expertise and Values)

Business Support and Improvement Services

(Social Enterprises)

Customer Satisfaction and Performance Information

Strategic Direction and Coordination

SMT

Direction, Delegation and Resources

(Private Sector Providers)

CENTRAL
Area Manager

Corporate Support Services

"Core" Service Standards

Leadership

Market Towns

SOUTH
Area Manager

Devolved Decision Making