

**SHROPSHIRE COUNCIL  
ANNUAL GOVERNANCE STATEMENT  
2011/12**

**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 31<sup>st</sup> March 2012 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<sup>1</sup>, the Chief Financial Officer (Corporate Head of Finance and Commerce) and the Monitoring Officer (Corporate Head of Legal and Democratic Services), plus Internal and External Audit and other external review agencies, such as 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 detailed below:

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

12. The Shropshire Council Plan 2011 – 2013 was approved by Council in November 2011. The aim of the plan is to set out clearly in one place the role and purpose of the council and how we will deliver our services, over the next three years, to the vision and priorities of Shropshire's longer term Community Strategy
13. The plan describes how the council will focus its activities on what matters most to Shropshire people, to create:
  - Flourishing Shropshire communities.
  - Economic growth and prosperity.
  - Greater public confidence.
  - Better health and wellbeing.
  - Better educational attainment and work places skills.
  - Greater public confidence.
  - Service transformation and organisational development.This year the Shropshire Council Plan is in an electronic format and is interactive. The plan will be updated throughout the year, showing real examples of what the council is doing across Shropshire.

14. The Council's Medium Term Financial Plan was reported to 24 February 2011 Cabinet. The Plan set out a rationale for later detailed decisions on the overall

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<sup>1</sup> Please note that the Chief Executive was in post until July 2012, after which the Corporate Director for People became the Head of the Paid Service.

spending reductions required of the Council over the next three years in response to the Government's funding cuts. Further detailed reports were presented to Full Council, these all included details of the implementation of the plans to date and on the 22 September 2011, detailed savings plans for phase one; 15 December 2011, detailed savings plans for phase two and on the 23 February 2012, detailed savings plans for phase three.

15. Critical budget reviews or 'Star Chamber' events for all senior managers held in January 2012 ensured the accurate presentation of the financial landscape and managed the complexities in providing future saving projections. These events will continue to be used as a tool to inform and support future budget management and service provision and were followed up with Business Challenge events commencing in March 2012.
16. Monthly performance reports are forwarded to the Senior Management Board and the Performance and Finance Cabinet Sub-group. Quarterly reports are fuller, publicly available and reported to the Council's Senior Management Team comprising of the top twenty managers, Senior Management Board, the Cabinet Sub-Group, Cabinet and Performance and Strategy Scrutiny Committee. Performance and Finance information is from the corresponding periods, and all information within the Organisational Health scorecard are commonly reported within three to four weeks of the end of each reporting period.
17. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
  - 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 have launched Shropshire Newsroom ([www.shropshirenewsroom.com](http://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**

18. The commitments in the Shropshire Council Plan 2011-12 are set in a robust performance framework that has been revised in 2011. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
19. The council's new robust 'performance framework' will measure the difference the council is making by reviewing the nine outcomes for Shropshire against the Council's priorities, including feedback from customers, outcomes, learning and growth, finance and cost. The Council's Plan has strong links to other plans within Shropshire Council and in the Shropshire community as a whole.
20. 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 Leader of the Council and the Member Champion.

21. 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.
22. 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**

23. 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. This was a targeted consultation, which reached more service users than ever before. The results are forming the foundation for the future delivery of care in Shropshire.
24. The Council is now in consultation on the allocations of sites for residential and industrial use across the county, involving residents, town and parish councils, businesses and the voluntary sector in shaping the future of their communities.
25. The Council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives to help achieve value for money. An example is Partnership Boards which include 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.
26. Regular performance and risk management reports are produced using an organisational scorecard approach; informing the Senior Management Board, Cabinet and the Performance and Finance Cabinet sub-group on progress and issues arising with key corporate service performance measures, strategic risks, the Council's transformation programme, staff related performance and key financial measures.
27. Council receive annual Portfolio Holder Statements including areas of achievement and areas for improvement.
28. Further initiatives in relation to procurement activities have continued to deliver significant savings through tendering processes, negotiations, improved practices and innovation. Savings targets for procurement for 2011/12 have been met. The new Procurement and Commissioning Group has been established and links have been further developed with the VCS and Local Procurement Group (COGS). We continue to work with the Regional Improvement and Efficiency Partnership and undertake collaborative procurement activity with other Local Authorities.

29. 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:
- Chartered Institute of Public Finance Accountants (CIPFA).
  - Association of Local Authority Risk Managers (ALARM).
  - Housemark, Landlord Services for Housing.
  - Adult Social Care and Children's Services comparative data from Statutory Returns.
- Plus the development of a baseline report is used to identify gaps in comparative data and look for opportunities to work with other authorities and organisations that provide the same or similar services.
30. The Council's 2011/12 Budget Strategy incorporated savings of £32.3m. The savings proposals consisted of four categories with one and two being relatively easy to achieve. Category three savings were expected to deliver savings in a full year, but could not all be implemented in time to meet the financial year deadlines and category four savings are being monitored since their achievement carries more risk. A balanced budget has been achieved by adopting this approach to savings, using funds identified within earmarked reserves, adopting a temporary spending freeze, improving the discipline around budget management and by conducting a review of all budgets in December by the Senior Management Board working with Group Managers to drive out additional short term savings from controllable service budgets.
31. In their Annual Audit Letter the Audit Commission identified that:  
*"since the October 2010 Comprehensive Spending Review (CSR), many councils across the country have faced significant financial pressures. Shropshire's most recent forecast is that the Council needs to achieve savings of £78.5 million over a four-year period, of which £32.3 million was planned for 2011/12. Good progress has been made in meeting this target for 2011/12. Against this background, the Council has responded in a positive manner. You have introduced your New Operating Model aimed at protecting frontline services while achieving the necessary efficiency savings. You have faced difficult decisions around school closures, changes to staff terms and conditions, redundancies and reductions in pay. For the first six months of 2011/12 you have reported that 71 per cent of outcomes measures were within or above 10 per cent of the standards set. However, you have also recognised the challenges faced in a small number of service areas. The overall impact on the General Fund balance is that it is projected you will only be able to hold the balance at the minimum level you deem prudent for 2011/12 and 2012/13 (around £3-4 million). However, in 2013/14 you are expecting to over achieve your savings target and be able to bring them back to your risk assessed preferred level of £13 million. Until this is achieved it places the Council at risk of being unable to uphold its financial resilience and could threaten the achievement of planned savings in future years. This is a difficult, but manageable, position and it is important that Members continue to closely watch progress, not only on performance against savings targets, but also on the medium term financial stability of the Council."*
32. The Audit Commission issued unqualified opinions on the Council's financial statements and those of the Pension Fund on 30 September 2011. 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.

**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 contained in 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. Key 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 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 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**

37. The Constitution includes Codes of Conduct for both Members and Staff.
38. The Standards Committee monitored and reviewed the operation of the Codes and Protocols to ensure that the aims and principles of the Constitution are given full effect, this committee will be abolished from the 30<sup>th</sup> June 2012.

39. 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.
40. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Corporate Head of Finance and Commerce) 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**

41. 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 relation to 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.
42. 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.
43. 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)**

44. 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:
  - The Section 151 Officer reporting directly to the Head of the Paid Service.
  - 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.
  - Regular financial monitoring reports to managers indicating projected financial performance against budgets.
  - Regular revenue budget monitoring reports to Cabinet.
  - Regular capital budget monitoring reports to Cabinet.

- Specific exception reports in respect of capital and revenue issues to the Performance and Finance sub group.
- Officer delegated decisions in accordance with approved delegations, codes and policies , for example Treasury Management.
- Highly effective Internal Audit conforming to CIPFA's Code of Practice for Internal Audit in Local Government and The Role of the Head of Internal Audit..
- Effective working relationships with the Audit Commission.

45. 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**

46. 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**

47. 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, for example Education, Social Care and Health.

48. 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.

49. The Corporate Head of Finance and Commerce 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**

50. Whistle Blowing arrangements are in place and any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Service. Leaflets on 'Speaking up about Wrongdoing' which incorporates whistle blowing have previously been re-distributed to staff members, contractors and the policy is available on the intranet as part of the employee handbook. In addition, a staff administrator notice was circulated in spring 2012 and as part of the staff induction process, new employees are given a copy of the leaflet and a bespoke schools version of the policy has been revised and published on the Learning Gateway.



51. 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.
52. Standards Committee have been responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy", this has now transferred to Audit Committee who will receive the annual report.
53. The Internet has a dedicated site to inform the public of how to report suspected fraud issues and to raise awareness of how they too can avoid being a victim of fraud, corruption or bribery.

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

54. 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, for example the Health Reforms, regulatory committee work, new ways of organisational working.
  - **Specific individual development needs** - assessed through development conversations between and with members' such as public speaking, dealing with difficult situations, speed reading.
  - **Making a difference through overview and scrutiny-** development through task and finish groups.
55. Senior officers' development priorities are identified via the Council's performance review system. A core skills development framework for all managers and staff was launched in 2011. The core skills framework consists of ten themes; each theme has a senior manager sponsor and an owner to develop learning materials. Different learning methods such as workshops, on line learning, coaching and mentoring are used to deliver the core skills framework.
56. In relation to specific generic training, such as to ensure opportunity risk management is embedded throughout the Council, awareness training is included in the core skills development framework, available to all staff. In relation to information governance all staff handling personal data are required to complete on line learning.

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

57. Twenty eight Local Joint Committees (LJC's) were set up following the inauguration of Shropshire 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.
58. 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.
59. The Peoples' 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.
60. 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 each 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.**

61. 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.

62. 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.
63. In preparation for the transfer of a number of public health services in April 2013 the Council has established a Shropshire Public Health Joint Transition Group with the local Primary Care Trust to facilitate the project.
64. 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, communications, funding and commissioning. Shropshire Compact has been regularly quoted as an example of best practice by the national body, Compact Voice.
65. Shropshire Voluntary and Community Sector Assembly is 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 and housing. The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities.

#### **Review of Effectiveness**

66. 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 Financial Officer (Corporate Head of Finance and Commerce) 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.
67. 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.
68. 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.

69. 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, Bribery and Anti-Corruption Strategy and undertaking fraud and irregularity investigations as necessary.

### **Significant Governance Issues**

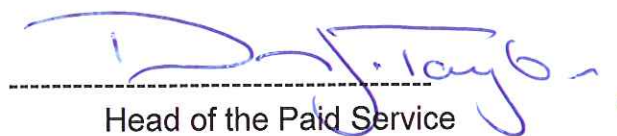
70. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and whilst satisfied with the effectiveness of the Council's corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance 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 the significant saving programmes aligned to improved service delivery through the Transformation Programme.
- To maintain the projected General Fund balance at the minimum level deemed prudent for 2012/13, with plans to increase the balance in 2013/14.
- The continuing delivery of the Change and Transformation Programme 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: incorporating a move to a Strategic Commissioning Council and creation of ip&e, the Council's wholly owned service delivery company;
  - continue to offer our staff a "new deal" and remain committed to keeping staff up to date on what is happening.

The associated risks have been identified, remain under close review and will be continually managed throughout the year given how key they are to ensuring the continued delivery of our high quality services.



Leader



Head of the Paid Service

# ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK 2011/12

## ANNEX A

### Governance Framework – Key Documents/Functions

- Shropshire's Community Strategy
- Communication Strategy
- Constitution
- Shropshire Council Corporate Plan
- Schedule of Council Meetings
- Service Planning Guidance
- Portfolio Holder Statements
- Business Transformation Projects
- Statement of Community Involvement Strategy
- Harassment and Bullying Policy
- ICT Strategy and Code of Practice for Employees
- Corporate Performance Management Framework
- People Strategy
- 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
- Opportunity Risk Management Strategy
- Register of Interests
- Confidential Reporting Policy
- Counter-Fraud, Bribery and Anti-Corruption Strategy
- Code of Corporate Governance
- Whistle Blowing (Speaking up about Wrongdoing) Policy
- Risk Registers and Control Frameworks
- Capital Appraisal Process
- Information Governance Policy
- Procurement Strategy
- Contract Rules
- Financial Rules
- Medium Term Financial Plan / Budgets
- Treasury Management Framework
- Annual Statement of Accounts
- Social Inclusion Strategy
- Scheme of Delegation
- Delegations to Officers
- Business Continuity Plan
- Health and Safety Policy
- Complaints Process
- Voluntary and Community Sector Compact
- Equalities and Diversity Policy and Action Plan

### Annual Governance Statement

Signed by the Leader of the Council and Head of the Paid Service 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

<b>Performance Management &amp; Data Quality</b> <ul style="list-style-type: none"> <li>• Embedded system</li> <li>• Operates throughout the organisation</li> <li>• Internal and external reviews</li> <li>• Action orientated</li> <li>• National/Local KPIs</li> <li>• Periodic progress reports</li> <li>• Corporate Performance Management Group</li> <li>• Data Quality Strategy</li> </ul>	<b>Risk Management</b> <ul style="list-style-type: none"> <li>• Opportunity Risk</li> <li>• Management Strategy</li> <li>• Embedded in planning processes and project/partnership methodologies</li> <li>• Effectiveness evaluated</li> <li>• Outcomes reported to Committee</li> <li>• Training Programme</li> </ul>	<b>Information Governance</b> <ul style="list-style-type: none"> <li>• Corporate Information Governance Policy</li> <li>• Training Programme</li> <li>• Outcomes reported to Committee</li> </ul>	<b>Legal and Regulatory Assurance</b> <ul style="list-style-type: none"> <li>• Monitoring Officer's reports</li> <li>• Sections of Committee Reports</li> <li>• Legal Advice</li> </ul>	<b>Members' Assurance Standards Committee (abolished 30.3.12)</b> <ul style="list-style-type: none"> <li>• Scrutiny Function</li> </ul>	<b>Assurances by Directors/Senior Officers</b> <ul style="list-style-type: none"> <li>• Annual Management Assurance Statements</li> <li>• Periodic Reports</li> </ul>	<b>Other Sources of Assurance (including third-party)</b> <ul style="list-style-type: none"> <li>• Reports by Inspectors</li> <li>• Service Review reports</li> <li>• Fraud Reports and Investigations</li> <li>• Ombudsman reports</li> <li>• Post Implementation reviews of projects</li> <li>• Investors in People Accreditation</li> </ul>	<b>Financial Management</b> <ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Revenue Budget and Capital programme</li> <li>• Revenue and Capital Monitoring reports</li> <li>• Treasury Management</li> <li>• Schools Accredited under SFVS Standard</li> <li>• Statement of Accounts</li> <li>• Compliance with Codes of Accounting Practice</li> <li>• Statutory returns</li> <li>• Grant Claims</li> </ul>	<b>Internal Audit</b> <ul style="list-style-type: none"> <li>• Operates under approved Strategy and Terms of Reference</li> <li>• Approved risk based plans</li> <li>• Periodic and annual reports to Audit Committee, including Head of Audit's opinion</li> <li>• CIPFA Code compliance assessment</li> <li>• External Audit Review</li> </ul>	<b>External Audit</b> <ul style="list-style-type: none"> <li>• Annual Plan</li> <li>• Annual Governance Report</li> <li>• Annual Audit and Inspection Letter</li> <li>• Audit Opinion and VFM conclusion</li> <li>• Ad hoc reports</li> </ul>
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ON GOING ASSURANCE ON ADEQUACY AND EFFECTIVENESS OF CONTROLS OVER KEY RISK

