



Committee and Date

Audit Committee

26th June 2014

10.00am

## **ANNUAL GOVERNANCE STATEMENT AND REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROLS 2013/14**

**Responsible Officer** James Walton

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### **1. Summary**

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 Head of Paid Service. 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 2013/14.

### **2. Recommendations**

The Committee is asked to consider and approve with appropriate comment, the Annual Governance Statement 2013/14 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**

- 4.1. 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, supported by the Delivering good Governance in Local Government: Framework Addendum 2012, 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 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 compliance assessed in light of the guidance issued.
- 5.6 In compiling the Annual Governance Statement the guidance identifies it should include the following information:
- i) Scope of Responsibility.

- ii) The purpose of the governance framework.
  - iii) A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements.
  - iv) Review of effectiveness.
  - v) 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 Head of Paid Service 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 directors supported by senior management 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 2013/14, 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:
- i) Head of the Paid Service.
  - ii) Directors and senior management.
  - iii) Head of Finance, Assurance and Governance, Section 151 Officer and Responsible Financial Officer.
  - iv) Head of Legal, Strategy and Democratic Services, Monitoring Officer.
  - v) Audit Service Manager.
  - vi) Performance and risk management officers and
  - vii) 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 the following significant governance issues.
- The main challenge facing the Council is the delivery of services to acceptable standards whilst achieving budget savings of £41.5m in 2014/15 with an overall

funding gap of £80m identified over the next three years whilst retaining adequate balances. To ensure we deliver this we will:

- Implement the first year of the Business Plan and Financial Strategy and deliver outcomes based on managing demand to deliver value for money through commissioning.
- Continue to review the Council's reserve to ensure a prudent and risk assessed level is maintained as the Council continues to operate within new funding mechanisms and with increased levels of uncertainty and risk over future funding reductions
- Ensure that the staffing resources, given the changing shape of the council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans.
- Improve our IT infrastructure to ensure it is fit for purpose, robust and PSN compliant to improve-business continuity risks.
- Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any implementation decision.
- Develop a more cohesive and robust way of monitoring contracts as part of re-design of Shropshire Council functions.

5.12 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.

5.13 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. An overall outcome report will be made to the Audit Committee at the end of the year.

5.14 The action plan attached to the 2012/13 statement has been reviewed and updated to reflect current progress. The position as at 31/03/14 is attached as **Appendix B** to this report.

**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.

CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012 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 2013/14

Appendix B - Progress as at the 31 March 2014 on the 2012/13 Action Plan for implementation 2012/13

**SHROPSHIRE COUNCIL  
ANNUAL GOVERNANCE STATEMENT  
2013/14**

**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*. A copy of the Council's Code is on our website at: <http://shropshire.gov.uk/committee-services/documents/s1524/Part%205%20Codes%20and%20Protocols.pdf>
2. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

**Scope of Responsibility**

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

**The Purpose of the Governance Framework**

6. The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
7. 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, aims and objectives,

to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

8. The governance framework accords with proper practice and has been in place at Shropshire Council for the year ended 31<sup>st</sup> March 2014 up to the date of approval of the Statement of Accounts.

### **The Governance Framework**

9. 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.
10. Under the Constitution the Leader and Cabinet form the decision-making Executive. In June, the Leader delegated the ability to take executive decisions in respect of certain specified matters to the relevant Portfolio holders. Their decisions must be in line with the Council's objectives and are subject to examination by a number of overview and scrutiny committees.
11. The Senior Management are 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 (Head of Finance Governance and Assurance) and the Monitoring Officer (Head of Legal, Strategy and Democratic Services), plus Internal and External Audit and other external review agencies, such as Ofsted, Care Quality Commission etc.
12. The key elements of the governance framework within Shropshire Council can be sub-divided into the following areas, as detailed below:

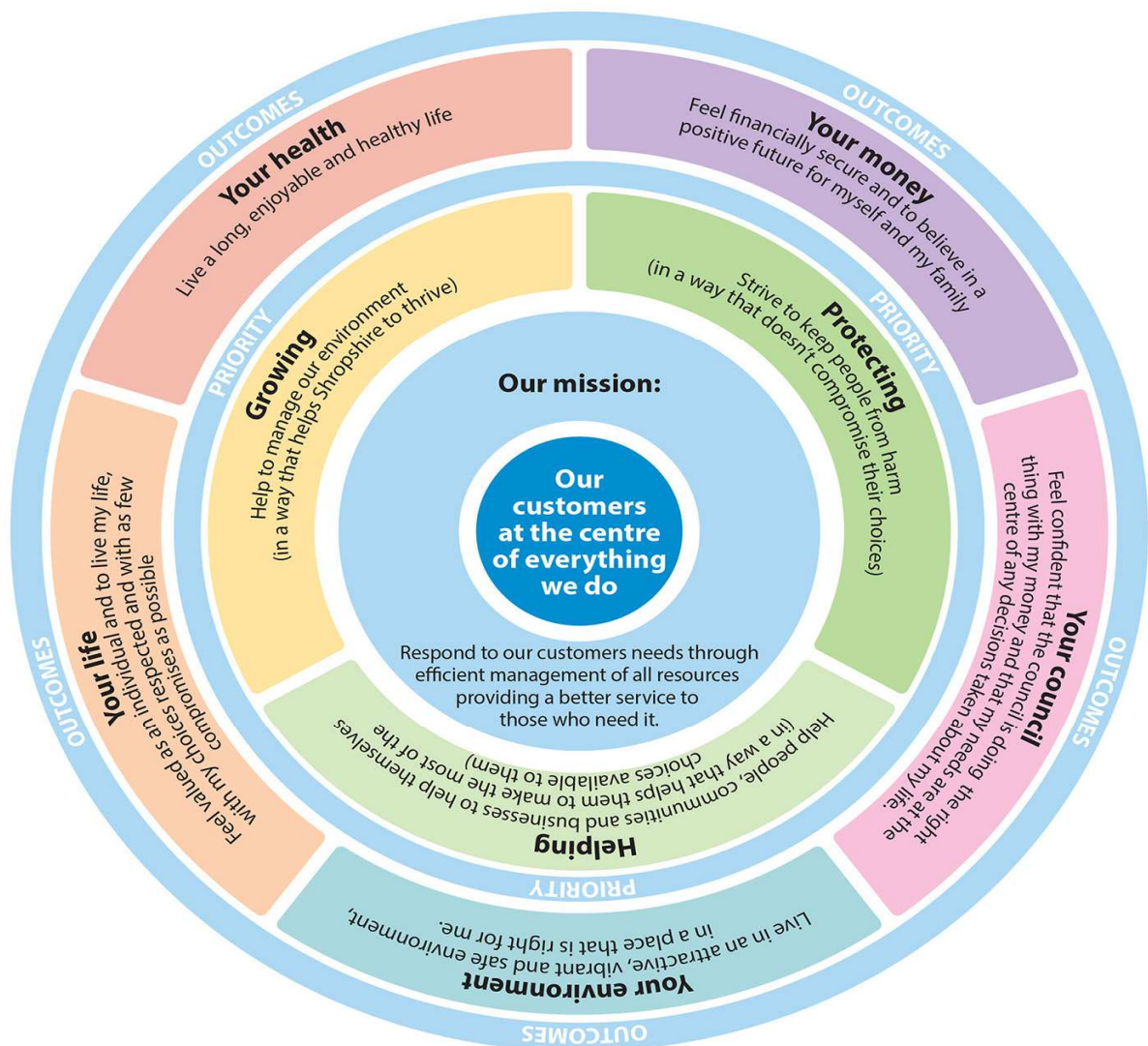
### **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

13. The Business Plan contains individual directorate business plans, all of which link to the financial strategy, and identify key change activities Shropshire Council will undertake during the period 2013/14 to 2017/18.
14. Business plans focus around the Council's outcomes which are:
  - I want to feel confident that the Council is doing the right thing with my money, and my needs are at the centre of any decisions about my life.
  - I want to live a long, enjoyable and healthy life.
  - I want to feel valued as an individual and to live my life my way, with my choices respected, and with as few compromises as possible.
  - I want to feel financially secure and to believe in a positive future for myself and my family.
  - I want to live in an attractive, vibrant and safe environment, in a place that's right for me.

15. A revised performance framework is under development to be implemented in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on the Council's outcomes.
16. In the current year, the Council has delivered on its previously stated plan producing quarterly reports on the Council's Organisational Health scorecard which consists of key performance measures, progress with transformation priorities, strategic risks, staffing and financial information. Each priority is described by a dashboard of agreed measures which provide a wide picture of progress, as well as relevant external factors which can impact on the outcome.
17. Areas where reported performance raised concerns were highlighted in the quarterly reports and monitored, as recommended by Cabinet. Cabinet would consider referring issues of continuing concern to scrutiny for review.
18. The savings targets for 2013/14 were agreed by Council on 23 February 2012 as part of a two year financial plan for, 2012/13 and 2013/14. The proposals were reviewed throughout 2012/13 and adjusted and finalised on 28 February 2013. The savings required in 2013/14 were £23.877m, £20.095m required to balance the budget and £3.782m to be repaid to reserves. These savings were agreed within the parameters of the Council Plan 2011-2013 and the Council's priorities.
19. The directorate business plans were used as the basis for the Council's Business Plan and Financial Strategy 2014-17. This Plan sets out the context the Council is operating in, the challenges it faces and the approach to service delivery. The plan was developed throughout 2013/14 as resource and expenditure projections were updated and savings proposals were developed.
20. 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 residents understand the Council's vision and purpose and access services on a day to day level.
  - The Shropshire Newsroom ([www.shropshirenewsroom.com](http://www.shropshirenewsroom.com)) 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 and listening to feedback on a number of issues.
  - We provide performance information for local areas detailing how the Council is delivering its vision.
  - We aim for a consistent approach to communication across the Council, reaching and targeting the key customers, stakeholders and partners in the most appropriate way.

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

21. In November 2013, Cabinet received the first draft of the Council’s Business Plan and Financial Strategy. Since that date significant work has been undertaken to improve the document, to provide more details of our plans, to reflect the latest financial position and to refine the Council’s vision for the future. In February Council approved the Business Plan and Financial Strategy. The Business Plan sets out the Council’s approach to redesigning everything we currently do, to make best use of the resources we have available. The Business Plan and Financial Strategy identifies the approach for the future transfer of services to ip&e; the Council’s wholly owned company. The Financial Strategy takes account of any known transfer of services to ensure that the Council’s financial position is understood and reflected ahead of any decision taken to approve a transfer.
  
22. As a council, we are focusing on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered. These are summarised below, and form the backdrop for delivering the Council’s Medium Term Financial Plan over the next three years.





23. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
24. Information governance is a strategic risk for the Council. The Head of Legal, Strategy 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 on-going basis. Risk assessments are updated to reflect system and service changes.
25. In relation to information governance all employees handling personal data are required to complete on line learning.

**Translating the vision into objectives for the authority and its partnerships**

26. Work will be completed with the Cabinet to define these priorities and this work will be used to underpin the Council's development as a Commissioning Council and the roll-out of developing Business Plans as Service Plans.
27. Work will continue to translate these priorities into outcomes that can be communicated and understood by the community. The opportunity presented by locality commissioning to use the vision to shape what practically happens in communities will be explored by the Council and where possible with partners.

**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 and value for money**

28. Our framework establishes a clear reporting mechanism for performance of corporate priorities and the Councils outcomes. The quarterly reports are publicly available, being reported to the Council's Senior Managers, Cabinet and available to all members to identify any issues they may want to have considered through Scrutiny. 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 quarterly reporting period.
29. Areas where reported performance raises concerns are highlighted in the quarterly reports and monitored, as recommended by Cabinet e.g. that the Portfolio Holder and Director report back to Cabinet with an action plan to bring performance back to the expected standard. Cabinet may refer issues of continuing concern to scrutiny for review
30. Specific service areas seek customer feedback both through systematic processes, and through annual surveys, for example the Adult Social Care Survey continues to engage with service users. The results help us to understand and evidence what has been achieved for local people, supporting local service and enabling people to make better choices about care and we are using the 'Making It Real' approach to check progress towards this.
31. A survey targeting carers was carried out for the first time last year and will take place again next year. The results tell us what is working well and where improvements can be made and to ensure our resources are being used to their full potential.
32. The Council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives whilst achieving

value for money. An example is Partnership Boards which are in place for people with learning and physical disabilities and family carers. The Boards receive information on service performance and provide the forum for service user representatives to feedback on the services they receive.

33. Council receive annual Portfolio Holder Statements including areas of achievement and areas for improvement.
34. Procurement activities have continued to deliver savings through tendering processes, negotiations, improved practices and innovation. The Procurement and Contracts team have continued their category and contract management work. The team has also continued to strengthen links with the Voluntary and Community Sector, Local Procurement Group (COGS), The Regional Social Value Group and The Regional Improvement and Efficiency Partnership. Work has also continued for and with other Local Authorities to undertake collaborative procurement activity.
35. 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 performing to the standards that the Council sets. Benchmarking services used include:
  - 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).
  - Adult Social Care National Data
  - Children's Social Care National Data
  - School attainment results
36. The Council had a savings target of £23.877m to achieve in 2013/14 and has monitored the achievement of this target throughout the financial year. Early in the financial year it was identified that there were considerable service pressures, primarily within Adult Services. Management action was taken and approval was sought to realign budgets within the year to ensure a balanced budget could be delivered. In addition the Council implemented a spending freeze on "controllable" budgets to reduce any projected net overspend. The estimated outturn, for 2013/14 is an underspend of £0.390m which has been included within the year end projection for the general reserve.
37. In their Audit findings for the year ended 31 March 2013. The External Auditor provided an unqualified opinion on the financial statements and their key messages arising from their work identified that,
  - the financial statements presented for audit were sound;
  - the processes for preparing the financial statements remain strong and were supported by the improvements in the working papers agreed following last year's audit;
  - the support provided to external audit throughout the year has ensured an efficient year end audit process, and
  - with the exception of the Waste PFI (private financing initiative) accounting adjustments, the remainder of the adjustments to the financial statements were minor, narrative and presentational in nature.
38. In undertaking the review of value for money, the External Auditor stated "the Council has a good track record of managing its budget and its cost saving

requirements. However the next three years provide a significant challenge to identify savings of £80m, with over half of this (£42m) being required in 2014/15. Following the extensive savings delivered over the past three years, the Council is now challenging how services are delivered to identify further savings and efficiencies. Overall we were satisfied that in the short term the Council is in a sound financial position but there remains significant uncertainty and it will be important for the Council to ensure that future financial plans are developed, agreed and delivered.”

39. “We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. Overall, strategic performance has been maintained during 2012/13. Sixteen of the Organisational Health performance measures (94%) showing improvement from 2011/12. In addition, 59% of the reported indicators that are part of the Outcomes for Shropshire Scorecard show an improvement from 2011/12, whilst 32% have shown a decrease and 9% remain at the same level. This is a significant achievement for the Council. However the future challenge will be maintaining service delivery standards with further reductions to budgets.”

#### **Value for money conclusion**

“On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.”

40. The External Auditor also issued an unqualified opinion on the Pension Fund.

#### **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 in respect of the authority and partnership arrangements**

41. 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.
42. 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.

43. 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 the Cabinet 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.
44. The Council's arrangements for effective scrutiny were reviewed during 2013 and revised in light of the new priorities and cabinet portfolio arrangements. During 2013/14 the Council has progressed with the development of its business plan which sets out the ambition and direction of change. In order to keep pace with the change that the Council must go through Scrutiny Committees need to be able to respond flexibly, but also have structured work programmes that take account of planned change activity; whether to provide critical friend challenge, or to evaluate the impact of commissioning decisions. As part of this, the Council tested out a different model of enabling members to get closer to the change activity during the scrutiny of the business plans. Called Rapid Action Groups, they involved five non-executive members working with the relevant director and exploring specific change topics to understand the redesign and provide a critical friend challenge; for example, one group looked at how the Council reports and presents performance management information which has led to a new approach being introduced for 2014/15. The effectiveness of this approach is being reviewed to identify how it can become part of the Scrutiny 'toolbox'. The statutory Scrutiny Officer role has been reviewed and now sits with a post reporting to the Head of Legal, Strategy, and Democratic Services.

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

45. The Constitution includes Codes of Conduct for both members and staff which are reviewed regularly to reflect any necessary changes.
46. All members and staff 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 and members.
47. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Head of Finance, Governance and Assurance) and the Monitoring Officer (Head of Legal, Strategy and Democratic Services).

**Reviewing the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**

48. 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.

49. The Monitoring Officer (Head of Legal, Strategy 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 Head of Legal, Strategy and Democratic Services making routine revisions and replacing references to any repealed or amended legislation, or secondary legislation with current references.
50. 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 as identified in Section 8 of the Constitution "Delegations to Officers". Part 3, Responsibilities for Executive Functions sets out how Portfolio Holders undertake their responsibilities taking advice from the relevant senior officer.

#### **Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

51. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Team and led by the Head of Finance, Governance and Assurance, Lead Officer Advocate and the Portfolio Holder for Finance, Governance and Assurance, Lead Member Advocate, 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.
52. 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. The strategic risks are updated monthly and reported to the informal Directors and Cabinet monthly meeting. All Committee Reports include a section on risk assessment and opportunities appraisal.

#### **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

53. The Council is self-regulating in respect of Counter Fraud. It undertakes a self-assessment, identifies its risks and understands them. It acknowledges the problems and puts in place plans which can demonstrate that it is taking action with visible outcomes. It is transparent about this process and the results and reports to both the senior managers and to those charged with governance.

#### **Ensuring effective management of change and transformation**

54. During the development of the three year business plans the focus on having strong governance and project management around the various strands of activity was also shaped. This final model of the 'Tracking Hub' was co-created with Directors and led by the Programme Management Team – the work is monitored and updates brought to Directors meeting on a monthly basis.
55. As Shropshire Council continues on its journey to become a commissioning council a strong focus on service redesign has been established. This is helping to change the culture of the organisation, as service redesign is now seen as part of the commissioning cycle as opposed to merely progressing a straightforward procurement exercise.
56. This new way of thinking and working began through local commissioning activity in Church Stretton in February 2013 and has continued through the last twelve months, including week long business planning sessions in each service

directorates in September 2013 involving over 120 staff which helped shape the final three year Business Plan. As a result of all of this redesign activity, the learning has been up scaled and made normal in a number of areas. An example was the prototype involving Adult Social Care and Housing Service areas where the focus has led to increased productivity and a stronger focus on prevention and has since been rolled out across the People2People teams. Similarly, the Ageing Well prototype run in Church Stretton which had a focus on helping older people to live in their own homes for longer has now informed key elements of the Better Care Action Plan.

**Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact**

57. Whilst the Section 151 Officer does not report directly to the Head of the Paid Service the officer is a member of Senior Management and the arrangement does not stop the officer delivering their duties with the same impact as they would if reporting directly to the Head of the Paid Service. 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 having direct access to the Head of the Paid Service, senior management and members on financial matters.
- A strong culture amongst our directors, area commissioners, heads of service, 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 three 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 both Public Sector Internal Audit Standards and CIPFA's, Role of the Head of Internal Audit.
- Effective working relationships with the external auditor.

**Ensuring the authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact**

58. 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.

59. Line managed by the Section 151 Officer, the Head of Internal Audit (Audit Service Manager) has open engagement with and full access across senior management and Audit Committee.
60. Whilst the Audit Service Manager pulls together the Annual Governance Statement it is completed with the full engagement of senior management and key officers alongside the collation of data from all areas of the Council's activities.

**Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

61. The Monitoring Officer function is set out in the constitution and there have been no changes in the delivery of the role.

**Ensuring that effective arrangements are in place for the discharge of the head of the paid service function**

62. The Head of Paid Service function is set out in the constitution and there have been no changes in the delivery of the role.

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

63. The Council has in place an effective Audit Committee which 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**

64. The Head of Legal, Strategy and Democratic Services and their 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, etc.
65. 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.
66. The Head of Finance, Governance and Assurance also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also conduct an external audit of the Council's accounts.

### **Whistleblowing and receiving and investigating complaints from the public**

67. Whistleblowing arrangements are in place and any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is distributed to staff, members and contractors electronically. Both a public and an employee policy are available on the internet and intranet. Details are also contained in employee handbooks and induction packs and the constitution.
68. 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.
69. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive the annual report.
70. 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**

71. Member development is delivered through a Community Leadership and Development Framework of blended learning structured enough to ensure good planning and flexible enough to remain dynamic. Focused on the following themes:
  - Induction programme for all members of Shropshire Council.
  - 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.
72. Development needs for managers and staff continue to be identified via the Council's performance review system. A core skills development framework for all managers and staff is available and is delivered through a blended learning approach including on line learning, coaching and mentoring.
73. During 2013/14 a new Business Partner post for People Development has been introduced. The role of the Business Partner is to work closely with Heads of Service to identify team development needs in response to redesign activity and team restructures. Initial assessment of development needs results in a bespoke training programme being developed to meet team and individual needs. This approach enables us to measure impact of development activity more closely.
74. In response to business need, a 'New Shropshire Manager' profile has been developed. The key skills, knowledge and behaviours of our managers have been identified and a programme of development activity is available to support development needs. Commercialism, contract management and



commissioning skills are some of the key areas for development and a programme of training is available to support managers.

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

75. Twenty eight Local Joint Committees (LJC's) meets formally at least twice a year across the county, with the opportunity for extra informal meetings where local people and issues require. They are 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.
76. 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.
  - The Council regularly consults on strategic decisions and service developments which in the past have been done through our People's Panel as well as specific and targeted consultation and engagement. The Council is reviewing opportunities to introduce a digital version of the People's Panel to support the effective delivery of its customer focused change programme. Examples where the People's Panel has been used include consulting on Shropshire partnership priorities, proposals for our council tax scheme, social media, and housing priorities. Focus group work has included public enforcement and protection services and meeting the Leader of the Council.
  - The future use of the People's Panel will include providing a quarterly view of the public's perception of how the Council is changing. This will be a feature of the Council's Performance Management Framework.
  - The Council undertakes consultation about changes to services, seeking to ensure that there is the opportunity for people who use services to understand what is happening, and to have their say to inform decision making. During 2013/14 the Council took forwards its work to change adult social care and respond to the changes that the personalisation agenda has introduced. Having undertaken conversations and consultation with partners, providers, people who use services and their families over recent years the decision was taken to begin a phased closure of day centres. The decision was challenged through the courts and in March 2014 the High Court judged that the Council had not completed the consultation it had started, by not discussing the closures with those directly affected, before progressing with the decision. In light of the importance of effective and lawful consultation as the Council changes the way it meets needs, it looked at its guidance for consultation during 2013/14 to support faster, transparent and effective decision making.
  - The Council has also introduced locality commissioning during 2013. This work starts with the data and requires consultation and engagement with the local community to provide the intelligence to compliment detailed reviews of systems and customer experiences. The findings are used to challenge service providers and commissioners, and enable informed decision making

about the need to and permission to change. Full locality commissioning activity has taken place in four market towns so far; Church Stretton, Wem, Oswestry and Shrewsbury.

77. 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:
- Forums: such as the Fairness, Respect, Equality, Shropshire (FRESH), 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.

**Enhancing the accountability for service delivery and the effectiveness of other public service providers.**

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

78. 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.
79. 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.
80. A number of public health services transferred to the Council in April 2013 through which the Council works in conjunction with the local NHS and other services in the area to provide information and services to promote healthier lifestyles.
81. The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and work towards best practice in partnership arrangements. A Compact Group leads the work for the County. The Shropshire VCS Assembly also ensures the Compact is integrated into cross-sector policy and projects.
82. The Shropshire Voluntary and Community Sector (VCS) Assembly is well established as the voice of the VCS in Shropshire. The Assembly has around 300 members with a Board and 16 forums of interest. Forums of interest are groups of VCS organisations with a common interest; for example heritage, arts, disability, health, social care, housing, mental health, older people, etc.

The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities.

83. The VCS Assembly works to develop new policy and guidance designed to establish a common vision and set out new partnership approaches and expectations. Public sector representatives join the VCS Assembly Board regularly in addition to joint work through task groups.
84. A grant awarded to the VCS Assembly allowed three projects to be completed.
  - The development of Shropshire Providers Consortium (SPC). A Community Interest Company established to facilitate joint bidding for public sector contracts and funding opportunities. Membership is open to any member of the Shropshire VCS Assembly. There are now over 30 member organisations and many more eager to join. SPC has been in operation for twelve months and has exceeded the first year targets established within its three year business plan.
  - Support for the VCS Assembly's Forums of Interest to enable greater collaboration within the VCS and to encourage partnership working between sectors. Events, training, communication and other forms of support have been made widely available. The number of Forums has also increased as a result of the project.
  - The development of ShropShare provides a hub for socially responsible businesses to come together and work in partnership with local voluntary and community sector groups and organisations. Although only launched in October this year, membership is steadily increasing. Many local businesses are keen to offer their staff (through employee volunteering) and their skills and resources to help good causes.
85. Two Inspiring Partnerships and Enterprise (ip&e) companies, have been established, both wholly owned by Shropshire Council. These are ip&e Limited - a Teckal compliant company, predominantly delivering services to Shropshire Council, and ip&e Trading, a commercially trading company. To maximise value to the public purse, these two companies are set up in such a way that staff and resources within ip&e Limited can be seconded to ip&e Trading in order to deliver work for external customers.
86. The Council has established two business areas within ip&e Limited: 360 Communications is delivering a range of media, communications and marketing activity and a programme management and business design team, established from March 2014. Ip&e Trading will be able to trade with other organisations, and the Council will reinvest profit from both companies into service provision. The Chairman for ip&e Trading is the elected Leader of the Council. The Chairman of ip&e Limited is a Cabinet portfolio holder. Both Chairmen are supported by a board of directors, appointed by the Council's Cabinet in its role as company shareholder representatives. The Cabinet appoints ip&e's managing director – who is able to manage resources across both companies. The Council's Cabinet acts as shareholder on behalf of the people of Shropshire and ip&e Limited has a contract with the Council to provide services, together with specific service contracts for specific areas of business. This contract sets out what is expected of each party, including the funds that the Council will provide to ip&e Limited to deliver services. The company and the Council will agree a business plan each year to ensure that ip&e Limited is fulfilling its responsibilities under its contract with the Council. Ip&e Trading will

seek to establish partnerships with public, private, community and voluntary organisations.

87. Shropshire Towns and Rural Housing Ltd (ST&RH) took responsibility for the management of all 4,200 Shropshire Council owned homes in the Oswestry and Bridgnorth areas on the 1<sup>st</sup> April 2014. ST&RH manages the homes and neighbourhood - collecting rent, ordering repairs and making improvements to all housing with the Council retaining ownership of the homes. The 'management agreement' between the two parties sets out in detail the 'who-does-what' between the two organisations. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

### **Review of Effectiveness**

88. Shropshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the governance arrangements is informed by the work of the directors and senior management within the authority who have responsibility for the development and the maintenance of the governance environment, the Audit Service Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
89. All directors, area commissioners 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 Head of Paid Service, Chief Financial Officer and the Monitoring Officer all contribute to the identification of any known areas of weakness to be addressed.
90. The Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from the senior management. Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on the performance in their area.
91. 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. During 2013/14 the Council tested out a different model of enabling members to get closer to the change activity during the scrutiny of the business plans. Called Rapid Action Groups, they involved five non-executive members working with the relevant director and exploring specific change topics to understand the redesign and provide a critical friend challenge.
92. In addition, in the autumn, Scrutiny conducted examinations on the directorate business plans in the form of select committee style meetings to help scope the actions necessary to deliver the Council's objectives.
93. The Internal Audit Service complies with the requirements of the Public Sector Internal Audit Standards and continually works with managers in assessing the risk management, control and governance environment, enhancing processes where necessary. There is in place a risk based internal audit plan which

examines all key financial and managerial systems, endorsed by the Audit Committee. Internal Audit's objectives include:

- Independently providing assurance and an opinion to the Section 151 Officer, Audit Committee and the Council on the adequacy of the Council's risk management, governance and internal control environment and the extent that it can be relied upon.
- Recommending improvements in the effectiveness of risk management, control and governance processes.
- Working in partnership with our External Auditors ensuring effective audit cover and optimising available audit resources.
- Reviewing, appraising and reporting on the extent to which the Council's assets are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance and inefficient administration, poor value for money or other causes.
- Carrying out selected value for money reviews of the efficiency and economy of the planning and operation of the Council's functions.
- Providing a responsive, challenging and informative internal advice and consultancy service for committees and services.
- Undertaking any non-recurring studies as directed by the Section 151 Officer.
- Advising on or undertaking fraud investigation work, with the exception of benefit fraud in accordance with the Council's Fraud Investigation procedure, prosecutions policy and the disciplinary guide. In addition to participating in the National Fraud Initiative; and
- Periodically undertaking an audit needs assessment taking into consideration the authorities risk management process.

94. On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council's internal control environment due to the increase in terms of numbers and direction of travel of the internal audit assurances provided on the IT infrastructure systems. Audit Committee have sought and received further explanation and appropriate assurance from management to address the issues identified by Internal Audit. Council application systems reviewed in 2013-14 were in the main given a reasonable or higher level of assurance, supportive that material application systems are generally well embedded, well administered and controlled. However, the IT infrastructure on which they operate presents a clear risk to service continuity. The issues identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their positive responses to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can still be placed upon them for that purpose.

95. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee who supports the Audit Service Manager, that these issues are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address the issues identified.

96. We also have been advised on the results of a review from Management Team that the arrangements generally continue to be regarded as fit for purpose in accordance with the governance framework. Where there are exceptions, for example the infrastructure IT systems that have received limited Internal Audit assurance opinions, as part of an on-going process of service improvement agreed recommendations are managed, monitored and reported upon. Where services have been identified as having fundamental or significant risks in the management controls, these are prioritised within the service area for mitigation. The resulting action plans are prioritised and implementation progress reported to the appropriate Head of Service who in turn reports progress weekly to the Director of Resources and Support. Progress on key system internal control areas is also being reported to Audit Committee. The significant areas to be addressed and activities for their management are outlined in the action plans later in this statement.
97. During 2013/14 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), were subject to either an announced or unannounced inspection. All services were deemed to be meeting each of the standards assessed (the highest possible outcome).
98. As part of the Council scrutiny process two elements of adult social care business were subject to a 'Rapid Action Group' focus. The groups focussed on 'personalisation' and the 'new operating model.' Recommendations from both pieces of work have been built into practice.
99. Health and Wellbeing Scrutiny received two reports as part of the preparing for the new and additional responsibilities that the Council will have as part of the care bill implementation.
100. Schools performance demonstrates: 62 per cent of Shropshire secondary schools judged by Ofsted to be good or outstanding; 70 per cent of pupils attending good and outstanding secondary schools; 78 per cent of Shropshire primary schools are judged to be good or outstanding and 80 per cent of Shropshire pupils attend primary schools judged to be good or outstanding. The Council is required to set out its action plan where a school is inspected and is determined by Ofsted to be in special measures. At the end of 2013/14 there were two secondary schools and six primary schools in a category to improve. All action plans that have been forwarded to Ofsted have been approved.
101. Ofsted undertook an unannounced safeguarding inspection in Shropshire on the 19th to the 28th November 2012. The overall judgment was 'Adequate', meaning that Shropshire meets the requirements in terms of quality of practice, leadership and governance and effectiveness of help and protection. The strong or good elements related to timeliness of assessments, the direction of travel and the good potential for Early Help arrangements. The areas for development were largely focussed on referral and decision-making processes. All recommendations have been addressed and reported to the Safeguarding Board and have continued to be improved. Shropshire's Children's Services are currently preparing for the new unannounced inspection of their services, under the new Ofsted framework which commenced nationally in 2013. Preparation continues through 2014.

102. Shropshire's children's homes: The Rowans, Chelmaren and Havenbrook, work in partnership to provide the best outcomes possible for Shropshire's 'Looked After Children'. In 2013/14 Ofsted judged the overall effectiveness of one home as 'Good', and the other two homes as 'Outstanding'. The homes incorporate the authority's objectives into team action plans and development plans; along with legislation and national guidance these form the basis of the service delivery. The homes have rationalised staffing levels and developed flexible working, which has contributed cost benefits to the service. Direct quotations from the latest Ofsted inspections include: 'Staff have an excellent understanding of young people's needs and safe working practices'. 'Young People develop very positive relationships with staff which underpins the outstanding levels of care and support they receive' and 'internal and external monitoring of the home takes place regularly...Reports appropriately review performance and identify areas for improvement'.
103. During 2013/14 only one inspection took place, out of a total of 39 Children's Centres. This received a judgement of 'Good,' for both overall effectiveness and capacity to improve. A new inspection framework is being implemented for 2014. We anticipate inspections under this new framework to take place in 2014.

### Significant Governance Issues

The main challenge facing the Council is the delivery of services to acceptable standards whilst achieving budget savings of £41.5m in 2014/15 with an overall funding gap of £80m identified over the next three years whilst retaining adequate balances. To ensure we deliver this we will:

	Action	Lead Officer	Completion date
1.	Implement the first year of the Business Plan and Financial Strategy and deliver outcomes based on managing demand to deliver value for money through commissioning.	Clive Wright	March 2015
2.	Continue to review the Council's reserve to ensure a prudent and risk assessed level is maintained as the Council continues to operate within new funding mechanisms and with increased levels of uncertainty and risk over future funding reductions.	James Walton	June 2014
3.	Ensure that the staffing resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans.	Clive Wright	March 2015

	Action	Lead Officer	Completion date
4.	Improve our IT infrastructure to ensure it is fit for purpose, robust and PSN compliant to improve business continuity risks.	Nigel Bishop	March 2015
5.	Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any implementation decision.	Nicki Beardmore	On-going as they present themselves
6.	Develop a more cohesive and robust way of monitoring contracts as part of re-design of Shropshire Council functions.	George Candler	December 2014

104. 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.

105. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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Leader

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Head of Paid Service



## ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK 2013/14

### ANNEX A

#### Governance Framework – Key Documents/Functions

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>Communication Plan</li> <li>Constitution</li> <li>Shropshire Council Business Plan</li> <li>Schedule of Council Meetings</li> <li>Service Planning Guidance</li> <li>Portfolio Holder Statements</li> <li>Business Transformation Projects</li> <li>Statement of Community Involvement Strategy</li> <li>Harassment and Bullying Policy</li> <li>ICT Code of Practice for Employees</li> <li>Corporate Performance Management Framework</li> <li>Developing People Strategy</li> </ul> | <ul style="list-style-type: none"> <li>Core values</li> <li>Council procedure rules</li> <li>Record of decisions</li> <li>Risk registers and control frameworks</li> <li>Code of conduct for members</li> <li>Members induction and training programme</li> <li>Code of conduct for employees</li> <li>Officer and member protocols</li> <li>Opportunity risk management strategy</li> <li>Register of interests</li> <li>Confidential reporting policy</li> <li>Counter-fraud, bribery and anti-corruption strategy</li> <li>Code of corporate governance</li> <li>Whistle blowing (Speaking up about wrongdoing) policy</li> </ul> | <ul style="list-style-type: none"> <li>Capital Appraisal Process</li> <li>Information Governance Policy</li> <li>Procurement Strategy</li> <li>Contract Procedure Rules</li> <li>Financial Rules</li> <li>Medium Term Financial Plan / Budgets</li> <li>Treasury Management Framework</li> <li>Annual Statement of Accounts</li> <li>Diversity in Employment Policy</li> <li>Scheme of Delegation</li> <li>Delegations to Officers</li> <li>Business Continuity Management Plan</li> <li>Health and Safety Policy</li> <li>Complaints Process</li> <li>Voluntary and Community Sector Compact</li> </ul> |
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**Annual Governance Statement**

Signed by the Leader of the Council and Head of Paid Service to accompany the Statement of Accounts

Independent review and approval by Audit Committee who examine draft AGS

Review of the Effectiveness of the system of Internal Audit

Authority, Directorate Policies and Service Policies, Business Plan and Risk Registers

Senior management with responsibility for drafting AGS after evaluating assurances and supporting evidence

<p><b>Performance Management &amp; Data Quality</b></p> <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>	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>Opportunity Risk 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>	<p><b>Information Governance</b></p> <ul style="list-style-type: none"> <li>Corporate Information Governance Policy</li> <li>Training Programme</li> <li>Outcomes reported to Committee</li> </ul>	<p><b>Legal and Regulatory Assurance</b></p> <ul style="list-style-type: none"> <li>Monitoring Officer's reports</li> <li>Sections of Committee Reports</li> <li>Legal Advice</li> </ul>	<p><b>Members' Assurance</b></p> <ul style="list-style-type: none"> <li>Standards Committee (abolished 30.3.12)</li> <li>Scrutiny Function</li> </ul>	<p><b>Assurances by Directors/ Senior Officers</b></p> <ul style="list-style-type: none"> <li>Annual Management Assurance Statements</li> <li>Periodic Reports</li> </ul>	<p><b>Other Sources of Assurance (including third-party)</b></p> <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>	<p><b>Financial Management</b></p> <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>	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>Operates under approved Charter</li> <li>Approved risk based plans</li> <li>Periodic and annual reports to Audit Committee, including Head of Audit's opinion</li> <li>Public Sector Internal Audit Standards compliance assessment</li> <li>External Review</li> </ul>	<p><b>External Audit</b></p> <ul style="list-style-type: none"> <li>Annual Plan Shropshire Council and the Pension Fund</li> <li>Annual Governance Report</li> <li>Annual Audit Letter</li> <li>Certification Report</li> <li>Audit Opinion and VFM conclusion</li> <li>Updates and ad hoc reports to Audit Committee</li> </ul>
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**ON GOING ASSURANCE ON ADEQUACY AND EFFECTIVENESS OF CONTROLS OVER KEY RISK**

**Appendix B**

**Progress as at the 31 March 2014 on the 2012/13 Action Plan for implementation 2013/14**

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
1.	Review the Council's priorities following the elections to ensure we have a clear corporate Council plan/ vision linked to the Medium Term Financial Strategy to achieve the necessary savings from 2014/15 to 2016/17.	Clive Wright	September 2013	Yes	The Council Business Plan and financial Strategy 2014 to 2017 was reported to Cabinet in February 2014
2.	Implement a new approach to business planning based on delivering the new council priorities based on a bid for investment, assuming a zero base	Michael Hyatt	April 2014	Yes	The new approach to business planning was adopted and resulted in successful development of the Council's Business Plan and Financial Strategy as per Action 1, and its underpinning principles of redesigning everything we do based on demand.
3.	Improve the general reserve to a prudent level as the Council moves into new funding mechanisms with increased levels of uncertainty and risk over future funding reductions.	James Walton	June 2013	Partially	The latest Risk Assessed level of General Reserve for 2013/14 is £15.547m. The actual level of General Fund Balance at 31.03.13 was £6.820m and has improved to an estimated £14.497m at 31.03.14. In 2014/15 the Risk Assessed level increases to £18.513m with an estimated General Fund Balance at 31.03.15 of £13.817m (75% of target). However over the three years of the Medium Term Financial Plan it is estimated to have reserves at 100% of Risk Assessed level by 31.03.17.

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
4.	Ensure that the staffing resources, given the changing shape of the council, remain skilled, knowledgeable and appropriate to deliver the Council's vision.	Clive Wright	April 2014	Yes	Workforce reductions are in place and services reconfigured to prioritise front line delivery, as set out in the Business Plan and approved in February 2014.
5.	Improve the delivery of our key transactional services in the areas of Human Resources, Finance and ICT to maximise efficiencies and effectiveness.	James Walton – finance  Nigel Bishop –ICT	30 <sup>th</sup> October 2013	Yes  Partially	<p><b>Finance</b> Although key systems are not yet being delivered at the highest level of assurance, work has been undertaken over the last twelve months, with further work planned. There are now no unsatisfactory key systems and the direction of travel is positive in all areas. It is essential; however, that the improvements are monitored over the next six to twelve months to ensure all transactional services can demonstrate a good or reasonable level of assurance.</p> <p><b>ICT</b> Significant activity is being undertaken in this area, including the ongoing programme of activity to address PSN compliance standards.</p> <p>An implementation plan is in place and work continues to ensure that the direction of travel is aligned with both strategic and line of business objectives and that this also provides the necessary assurance levels required.</p> <p>It is essential, however, that progress is monitored over the next six to twelve months and that all services demonstrate a good or reasonable level of assurance.</p>

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
		Michele Leith – HR (Payroll)		Yes	<p><b>HR</b></p> <ul style="list-style-type: none"> <li>• Electronic submission of data resulting in the removal of paper processes.</li> <li>• Reduces time lag for changes and up to date information on establishments.</li> <li>• Greater transparency for Head and business leads– improved control over expenditure.</li> <li>• MyView is fully integrated with the Council’s HR and Payroll system ‘ResourceLink’, thereby increasing the efficiency of data input and timeliness of information.</li> </ul> <p>This functionality will initially be piloted within 20 schools. This will lead to the wider roll-out to all schools that opt to use these processes. Following this, the roll-out will then be extended council wide, enabling all managers to submit details on-line.</p>
6.	<p>Deliver outcomes based on demand to deliver value for money through commissioning especially in the areas of:</p> <ul style="list-style-type: none"> <li>• Local commissioning</li> <li>• Children’s services</li> <li>• Adult services and</li> <li>• Ip&amp;e and other delivery models</li> </ul>	Clive Wright	March 2014	Yes	The Business Plan and Financial Strategy approved in February 2014 are outcomes based. The Council plans to move our approach to commissioning forward in 2014/15.
7.	Ensure robust business cases for any project involving new delivery models are properly constructed, widely consulted upon and professionally scrutinised to ensure they meet the requirements of the	Nicki Beardmore	On-going as they present themselves	Yes	<p>There are processes in place that ensure business change and new delivery models are managed appropriately.</p> <p>There is a Commissioning Strategy drafted and out for consultation.</p>

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
	<p>Medium Term Financial Strategy and are financially viable before any implementation decision.</p>				<p>There is a strategic contract between the council and ip&amp;e that sets out the way in which they will work together.</p> <p>Key senior managers have responsibility for managing individual commissioning contracts.</p> <p>The STEP process ensures that transitioning services are managed in accordance with our agreed framework.</p>