

SHROPSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT

2014/15

Scope of responsibility

1. Shropshire Council (the 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. The 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.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of the Council's functions, which includes arrangements for the management of risk.
3. 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 code is on the Council website at: <http://shropshire.gov.uk/committee-services/ecSDDisplay.aspx?NAME=SD203&ID=203&RPID=500657316&sch=doc&cat=13331&path=13331> 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.

The purpose of the governance framework

4. The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and 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 contributed to the delivery of appropriate services and value for money.
5. 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 any risks to the achievement of Council policies, aims and objectives; to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.
6. The governance framework accords with proper practice and has been in place at the Council for the year ended 31st March 2015 up to the date of approval of the Statement of Accounts.
7. A brief description of the key elements of the Council's governance framework is outlined below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

Leadership and behaviour

8. The Council's Constitution is updated annually and sets out how the Council operates. It states the matters reserved for decision by the whole Council, the responsibilities of the Leader and Cabinet, the matters reserved for collective and individual decision, and the powers delegated to panels, boards, committees and wider bodies such as partnerships. Decision making powers not reserved for members are delegated to directors and senior managers. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members. **Annex A** identifies the process which leads to the preparation of the Annual Governance Statement and it being signed off and published with the Statement of Accounts. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
9. 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 members. Key decisions are published in the Executives' Forward Plan and are discussed with Council officers at a meeting of the Cabinet, normally open for the public to attend, except where confidential matters are being discussed. The Cabinet can only 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.
10. Senior Management are responsible for overseeing and monitoring the control environment as an integral part of the risk management process. This key management responsibility is supported by 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) the roles of which are set out in the Constitution, plus Internal and External Audit and other external review agencies, such as Ofsted, the Care Quality Commission etc.
11. The Council's financial arrangements confirm with the governance requirements of the CIPFA, "Statement on the Role of the Chief Financial Officer in Local Government (2010)" as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer (Section 151 Officer), Head of Finance Governance and Assurance, has statutory responsibility for the proper management of the Council's finances and is a key member of the Council's senior management team reporting directly to the Chief Executive (for the last three months of the year and previously to that he attended senior management meetings to ensure financial support at the highest levels). He formally devolves the management of the Council's finances within services to directors through a scheme of delegation. Directors further devolve decision making through service schemes of management. The Section 151 Officer also provides detailed financial rules, guidance and finance training for members, managers and staff.
12. The Council's assurance arrangements conform to the governance requirements of CIPFA's "Statement on the Role of the Head of Internal Audit (2010)". The Audit Service Manager reports functionally to the Audit Committee, which approves the Audit Plan and receives performance reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.
13. Whilst the Audit Service Manager is responsible for its compilation, the Annual Governance Statement is prepared with the full engagement of senior management and key officers, using data collated from all areas of the Council.

14. The Council has in place an effective Audit Committee which provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process, including scrutiny of Treasury Management strategy and policies. The core functions of the Audit Committee are undertaken in accordance with CIPFA's, "Audit Committee – Practical Guide for Local Authorities".
15. The Constitution includes codes of conduct for both members and staff. These are reviewed regularly to reflect any necessary changes and 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.
16. The Head of Legal, Strategy and Democratic Services is the Council's Senior Information Risk Owner (SIRO) and there is an Information Governance Group which considers and reviews risk assessments and current issues on the use of personal information. Risk assessments are updated to reflect system and service changes. All employees handling personal data are required to undertake appropriate training on line.
17. 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).
18. The Chief Executive continues to show his commitment to engage with and support staff by providing regular updates and key messages through emails and he regularly visits places of work to engage with staff.

Openness and comprehensive stakeholder engagement

19. The Council's Business Plan and Financial Strategy 2014-17 has been reviewed and refreshed for 2015/6 onwards. The plan sets out an approach to redesigning everything the Council currently does and how best use will be made of the resources available. The financial strategy takes account of any known transfer of services to other delivery models to ensure that the Council's financial position is understood and reflected ahead of any decision taken to approve a transfer. It remains flexible and responsive to emerging local issues and significant national developments such as the Care Act, whilst continuing to focus on delivery of the Council's outcomes as detailed in the diagram overleaf.
20. The Council continues to develop its Inspiring Partnerships and Enterprise initiative (ip&e), comprising two companies: ip&e Limited and ip&e Trading. The Chair of ip&e Ltd is the elected Leader of the Council, the Chair of ip&e Trading is Cllr Michael Wood. Both chairs are supported by boards of directors, appointed by the Council Cabinet. There is also an Officer Director appointed to each company to ensure the companies work within the overall aims and objectives of the Council. The Cabinet acts as shareholder on behalf of the people of Shropshire. A Cabinet member has Portfolio Holder responsibility for ip&e.
21. The Cabinet appoints the Chief Operations Officer of ip&e Ltd, who manages resources. This post is held currently by the Director of Resources and Support on secondment from the Council. There are also partial secondments in place to cover the roles of Finance and Commercial Director and Director of HR.

22. ip&e Limited is a Teckal company and has a strategic contract with the Council to enable it to provide services on its behalf. Delivery against the strategic contract is reviewed regularly, in routine meetings that are conducted between Shropshire Council and ip&e. There are individual contracts in place for each of the services that ip&e Ltd deliver on behalf of the Council. The contracts set out what is expected of each party, and specifies the funds the Council will provide to ip&e Limited to deliver services, and the outcomes and/or outputs that are required. Each contract has a commissioning lead who measures the performance of the individual contracts on a routine, agreed basis, as per the contract.
23. Prior to service areas being considered for transfer, a robust process is followed to ensure a financially viable business case is developed that has considered all aspects in relation to human resources, legal, ICT, finance and risk. Once these elements have been satisfied, the business case is then put forwards to Cabinet for consideration.



24. ip&e Limited and the Council agree a business plan each year to set out its proposals and intentions for the forthcoming year. The business plan is approved by both Cabinet and the Board of ip&e. To date, two business units have been established within ip&e Limited: ip&e Communications and ip&e Business Design (a programme management and business design service). Ip&e Trading to date is not operational as all business has been conducted through the Ltd company.
25. A high level Directors' Commissioning Group has been established to monitor the overall progress of ip&e Ltd and other new delivery models. Individual directors and portfolio holders are responsible for the effective management of change and transformation in their areas but will also report through to this Group, where relevant.
26. A revised performance framework was implemented in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on Council outcomes. Quarterly performance reports are presented to Cabinet and Scrutiny Committees. The reports highlight any areas of concern. These are monitored and Cabinet will refer issues of continuing concern to Scrutiny for review.
27. The savings target and proposals for the period 2014 to 2017 were agreed by Council in February 2013 as £80m and £83m respectively. The target for 2015/16 was set at £20m, the proposal £26m.
28. Progress against achievement of the 2014/15 savings proposals of £39m has been monitored throughout 2014/15 and as part of this budget monitoring process, service pressures in year and ongoing have been identified. Where there has been a delay in achieving savings or the planned savings have not been achieved, management action has been taken to find alternative savings and offset service pressures to seek to balance the 2014/15 budget, the details of which appear in the quarterly revenue monitoring reports to Cabinet.
29. For 2015/16, the Financial Strategy to Council on 26 February 2015 recognises that of the initial savings proposals of £66m (2014/15 and 2015/16), £59m is expected to be delivered leaving a shortfall against the total proposals. It also highlights service pressures of £7.6m in 2015/16. The report identifies how the total 2015/16 potential budget shortfall of £15m can be found to provide a balanced budget for 2015/16.
30. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Governance Structure of officers and members with key responsibilities for maintaining the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
31. The strategic risks for the Council have been identified. High level risks are aligned to the action plans resulting from this Annual Governance review, and actions have been put in place where possible to ensure minimal disruptive impact on the delivery of the Council's outcomes. The strategic risks are updated monthly and reported to the informal Directors and Cabinet monthly meetings. All committee reports include a section on risk assessment and opportunities appraisal and all risks have owners.
32. The Council recognises the importance of communicating its vision and uses a number of channels to this effect. As well as intensive re-design work with specific communities:

- People can email, call, write or visit customer service points. They can visit the Council website and complete an online report form or join in an online conversation;
 - They can use one of the many social media channels – to ask a question on Twitter or Facebook , or comment on one of the Council’s You Tube channels;
 - The Council holds a wide range of public meetings at which people can find out more and have their say;
 - People can call or email their local councillor or the appropriate Cabinet member, to ask a question or pass on a comment;
 - The latest news from the Council can be found on the online Newsroom, Twitter feed and in local and regional media.
33. The Council regularly consults with the public on strategic decisions and service developments. For example, a group of people, including previous members of the People’s Panel, have signed up to provide feedback to the Council, via email. These consultees have been used to seek views on annual budget proposals; taxi licensing fees; the Shropshire Local Offer; and drug and alcohol treatment systems in Shropshire. The people on the consultation list also provide a quarterly view of the public’s perception of how the Council is changing. This is a feature of the Council’s Performance Management Framework
34. The Council also undertakes locality commissioning. This work starts with initial subject specific data and requires consultation and engagement with the local community to provide 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 the permission required for change. Full locality commissioning activity has taken place in four market towns so far and has involved the use of Local Joint Committees.
35. The Council has a zero tolerance to fraud, corruption and bribery and 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 demonstrate that action is being taken and outcomes are visible. It is transparent about this process and reports to both the senior managers and to those charged with governance.
36. Guidance on ‘Speaking up about Wrongdoing’ which incorporates whistle blowing is distributed to staff, members and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Audit Committee are responsible for the monitoring and overview of the “Speaking up about Wrongdoing Policy” and receive an annual report.

People

37. The Council continues to invest in staff and members to ensure engagement and motivation.
38. Implementation of the Council’s values and behaviours starts at Induction. All staff can access an electronic skills assessment and a management development toolkit. Staff can discuss development needs with their manager and identify relevant training from a core skills programme.
39. 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. It comprises of the induction programme, essential training

which all Members are asked to undertake, the Member briefing programme, and individual assessment of development needs.

Partnerships and other joint arrangements

40. The Council continues to support a range of joint working initiatives to improve service performance and delivery. Governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and the Corporate Performance Management Framework.
41. The Shropshire Compact is a set of shared commitments and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). A Compact Group leads this work for the county, details of which appear on the Council's web site. The Shropshire VCS Assembly also ensures the Compact is integrated into cross-sector policy and projects. The Assembly has around 300 members with a Board and 16 forums of interest. Forums of interest are groups of voluntary and community sector organisations with a common interest (for example heritage, arts, disability, etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities, it 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 working through task groups.
42. A number of public health services are delivered by the Council in conjunction with the local NHS and other services in the area to provide information and services to promote healthier lifestyles.
43. Shropshire Towns and Rural Housing Ltd (ST&RH) manages homes and neighbourhoods on behalf of the Council, collecting rent, organising repairs and making improvements to the housing stock. 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 – how do we know our arrangements are working?

44. The 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 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.
45. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:
46. The Head of Paid Service, Chief Financial Officer and the Monitoring Officer all contribute to the identification of any known areas of weakness which may need to be addressed. Led by the Chief Executive, 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.

47. Management Team have provided assurance that the arrangements generally continue to be regarded as fit for purpose in accordance with the governance framework. Where there are exceptions and services have been identified as having fundamental or significant risks in their management controls, for example the infrastructure IT systems, these form part of an on-going process of service improvement which are managed, monitored and reported upon. Progress on key system internal control areas is also being reported to Audit Committee. The significant areas to be addressed for the Council and activities for their management are outlined in the action plans later in this statement.
48. The Council has implemented the actions agreed in the 2013/14 Annual Governance Statement. A summary of which appear below:

Deliver value for money through commissioning

The first year of our business plan/financial strategy has been successfully implemented. Savings of circa £40m are expected to be fully delivered. A refresh of this plan and strategy has been produced and was approved by Council in March 2015 as part of our budget setting process.

The Director team are now looking at a financial plan for the next five years to 2020. We expect to engage Cabinet, Council, staff and the public with shaping this over the 2015/16 financial year.

Work has been completed to develop the Council for commissioning. A commissioning strategy has been completed. The Cabinet has agreed to further transforming the Council to commission everything that we do. Further progress on this will be made during 2015/16.

Review the Council's financial reserves to ensure the level is appropriate to risk

A risk assessment was undertaken and reported to Cabinet 11 February 2015. The General Fund Balance risk assessed level for 2015/16 is £15.86m. The estimated level reported to Cabinet is currently £14.535m, based on £0.371m overspend. A variance of £1.325m is acceptable, given the Council's recent history of delivering a balanced budget and compliance with financial plans.

This is no longer a significant risk for inclusion as an action in this statement.

Staffing resources skills and abilities match business needs

Although there has been significant reductions in staff, services have adapted and outcomes for citizens have been maintained. Notably, our Adult Social Care, which is a high cost one, has been recognised as being the lowest cost per capita nationally whilst also being noted as the highest quality by the Care Quality Commission.

As the Council develops into commissioning, new skills will be required. The Director team have undertaken initial work with the University of Chester to explore collaboration in developing a competence based training and accreditation programme leading to post graduate qualifications in public sector commissioning.

Improved IT infrastructure to manage business continuity risks

The Council has undertaken work to ensure that its ICT infrastructure conformed to the recommendations set-out in the Public Services Network (PSN) guidance for 2014/15. A designated project manager has been identified to manage future changes to the PSN standards and future work will be treated as a project. Regular progress reports will be provided to Directors, the ICT Portfolio Holder and members as appropriate.

An ICT programme of work is being developed to provide Shropshire Council with a level of control around its key projects. This will identify those projects which ensure that robust ICT solutions and resilience are implemented in a timely manner and, as a priority, that Disaster Recovery and Business Continuity is in place to ensure the ongoing management of material systems and service delivery is maintained to the highest standard. This programme of work will be aligned to the Council's priorities and will be included in the future ICT roadmap as part of the wider ICT Strategy.

The Council has identified the key systems in operation and has started to work with suppliers to implement alternative hosting solutions to mitigate business continuity and disaster recovery issues.

The ICT Strategy is currently being developed and will be published later this year.

Robust business cases to deliver services

During autumn 2014 Directors established a commissioning and service transition process that included a common approach to business cases and redesign work associated with new delivery models. This includes a robust set of guidance notes, fact sheets, templates and checklists. This information is available to staff via the Council's intranet.

Improved monitoring of contracts

In order to create consistency of approach, understand skill sets amongst those staff that manage contracts, and to establish best practice, a small team of officers undertook a review of Shropshire Council's contract management across all areas by looking at the Top 50 contracts (in value) and to understand how these contracts are managed at present, what is working well and is deemed industry best practice and also identifying those areas that could learn from others.

Phase 1 – Review of existing approaches

Officers undertook a series of meetings with both individual internal contract managers and external Contractors to ascertain where the Council is now in terms of the effectiveness of

the management of its major contracts. The meetings used set questions to allow us to undertake a consistent overall assessment.

Information was also sought on areas of best practice for contract management, from a range of sources including Improvement and Efficiency West Midlands (IEWM) and other West Midlands Authorities and Procurement Groups. The Council's management team also received a presentation from a specialist Contract Management consultancy, Newcomen who provided details of the important elements of Contract Management and its current relevance.

Through the above work the following have been identified as the key elements to successful contract management:-

- Negotiation;
- Market/Contractor Engagement;
- Contract Initiation;
- Contract Administration;
- Performance Monitoring;
- Supplier Viewpoint;
- Relationship Management;
- Contract development and improvement.

These elements form the basis of the Contract Management module within the Commissioning Training Programme.

In addition, best practice indicates that the Council needs a clearly documented framework and guidance available to all officers with a reporting and review mechanism.

Phase 2 – Creating the new Approach to Contract Management

A new Council Commissioning Support Unit is being established by summer 2015, pulling together into a single team all of the key functions that support commissioning currently. This will enable all team members to have a greater understanding in all areas as opposed to being purely focussed on a specialist area of commissioning.

Initially, a key area of work for the team will be to establish a consistent approach to contract management that ensures key principles are followed that builds in sufficient flexibility, depending on the size and nature of the contract. Development of this approach will draw on learning from the Phase 1 review. This will include as a specific Contract Management module, the documented framework and guidance for officers as part of the overall Commissioning Training programme aimed at developing a range of skills within the new Commissioning Support Unit.

Progress reports on this activity was reported to Audit Committee in 2014 and further updates are planned for 2015.

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49. The Internal Audit Service complies with the requirements of the Public Sector Internal Audit Standards and works continually with managers in assessing the risk management, control and governance environment, enhancing processes where necessary. A risk based internal audit plan is in place which examines all key financial and managerial systems. This is endorsed by the Audit Committee and reports on counter fraud activity.
 50. 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. This

is based on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems. These risks are already known to Directors and Members and are reflected in the strategic risk register. The IT infrastructure on which Council applications operate continues to present 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 plans 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 Council's accounts and reliance can still be placed upon them for that purpose.

51. Members and officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee which supports the Audit Service Manager, and 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. Audit Committee continue to monitor planned improvements.
52. In their Audit Findings for the year ended 31 March 2014, the External Auditor provided an unqualified opinion on the financial statements and an unqualified VFM conclusion, "Overall we are satisfied that in the short-term the Council is in a sound financial position. It is taking actions to identify medium-term requirements and options. There remains significant uncertainty and it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered. 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014". A single recommendation was made to ensure that the Council complies with the requirements of IFRS 10,11 and 12 and IAS 27 and 28 in the 2014/15 financial statements following changes to the accounting standards and Code of Practice and discuss any specific issues with the auditors; managers were fully signed up to this.
53. The External Auditor also issued an unqualified opinion on the Pension Fund.
54. 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 performance in their area and areas which require improvement.
55. 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.
56. During 2014/15 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), maintained their compliance status with CQC. No inspections were undertaken by CQC during the year as previous inspections in 2013/14 had deemed them to be meeting each of the standards assessed (the highest possible outcome). During the year 2014/15 two registered services, Shared lives and Community Living, were transferred to an external provider. Both services have maintained their registration and compliance status following transfer.

57. Adult Social Care services in Shropshire have been subject to peer reviews as part of the ADASS1 West Midlands sector led improvement programme. The service was assessed by “Peers” from Hereford, Sandwell and Wolverhampton. The feedback was positive and our transformation described as innovative. As a result a number of other local authorities, either regionally and nationally have either visited Shropshire or requested information.
58. Adult Social care participated fully in regional work on prevention, again as part of the sector led improvement programme. The resulting published report cites Shropshire extensively as demonstrating good and innovative practice in this area.
59. The Better Care Fund (BCF) is a pooled budget under a section75 agreement for the delivery of integrated health and social care services. Performance by the partners on delivery of the BCF is measured through metrics which are nationally determined by NHS England. Additional funding is dependent on achieving the metrics.
60. Financial Risks are mitigated by Shropshire Council hosting s75 pooled budget, a s75 agreement, monitoring of fund and activity by the Health and Wellbeing Board (HWB), and a conflict of interest policy. The performance is monitored at both a delivery/operational model by the BCF Transformation Group and the Contracts and Finance group and strategically by the HWB.
61. The Funding reforms of the Care Act legislation to be implemented in April 2016 are a financial risk to the authority as more people will be eligible for Local Authority (LA) funded support as a result of the change in the financial threshold from £23,500 to £118k. The LA does not as yet have a clear picture on the number of people eligible within this threshold.
62. To inform how the risks are mitigated the Council is undertaking financial and demand modelling based on national models developed as part of the Care Act Implementation work, and local surveys with care providers to determine the number of residents and users who fund their own care.
63. The Council’s Scrutiny Committees have continued to maintain an overview of the Council, but have also taken a clear view of the changes that have been made to services provided or commissioned by the Council. The Enterprise and Growth Scrutiny Committee have had a Task and Finish Group which has worked closely with the development of a different way for the Council to support and enable Economic Growth in Shropshire, making recommendations that support the structural changes, identify the need to improve access to information and advice and communicate opportunities, and identifying strategic decisions that the Council should take about its purpose and role in promoting and enabling Economic Growth in Shropshire. The Health and Adult Social Care Scrutiny Committee have had a member working group focusing on what measures and information will be required to understand and evidence the impact of the Council’s new Adult Social Care Operating Model. These measures are being used to form a new revised dashboard for regular reporting and consideration by Members and officers.
64. In December 2014 schools’ performance, as measured by Ofsted inspection judgements, demonstrated improvement: 69 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding; 75 per cent of pupils attended good and outstanding secondary schools; 82 per cent of Shropshire primary schools were judged to be good or outstanding and 84 per cent of Shropshire pupils attended primary schools judged to be good or outstanding. In December 2014 there was one secondary school and two primary schools

¹ Directors of Adult Social Services

in a category of special measures and in these circumstances the Council is required to set out its action plan for improvement. All action plans have been approved by Ofsted and the Council's support for these schools has been judged to be effective.

65. 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 2014/15. June 2015 a Peer Review will take place conducted by the LGA, this is an extensive review and will support the service to identify area of best practice to be enhanced and area of weakness to be addressed as part of the preparation for Ofsted.
66. Shropshire's children's homes: during 2014/15 review and development of the Shropshire residential care provision was undertaken. The homes work in partnership to provide the best outcomes possible for Shropshire's 'Looked After Children'. The homes incorporate the Council's objectives into team action plans and development plans; along with legislation and national guidance these form the basis of the service delivery. The Rowans, Chelmaren and Havenbrook have all been inspected in 2014/15 and judged by Ofsted for overall effectiveness. Chelmaren was rated as outstanding, Havenbrook and Rowans judged as 'Good'.
67. Direct quotations from the 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'.
68. As part of the development of services to children in care and to support children on the edge of care, Havenbrook was launched as a residential short breaks service in June 2014. Following the outcomes for children being positively identified in the evaluation as well as a saving to the Council through prevention of care, Havenbrook was confirmed as a permanent short breaks service in January 2015.
69. The redesign was completed in April 2015 with the closure of the Rowans and investment in new outreach worker posts providing support to young people and families in the community, supporting sustained rehabilitation plans and prevention of care. Chelmaren continues as a medium to long term residential unit and is undergoing building work to increase capacity to care for up to six children.
70. During 2014/15 two inspections took place, out of a total of 39 Children's Centres. Both received a judgement of 'Good,' for both overall effectiveness and capacity to improve.

Significant governance issues

71. The main challenges facing the Council appear below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2015/16

and the overall funding gap of £80m as identified as part of the Business Plan and Financial Strategy. To ensure this is delivered and strategic risks managed, the Council will:

	Action	Strategic Risk	Lead Officer	Completion date
1.	Identify a clear ICT Strategy for future delivery and as part of this, improve the ICT infrastructure to ensure it is fit for purpose, robust, PSN compliant and provides cover for business continuity. The ICT Strategy should be fully aligned to the Council's Asset Strategy, Digital Strategy and Customer Involvement Strategy and the Council's Business Plan and Financial Strategy.	Non implementation of robust ICT solutions and resilience to support the direction of travel results in significant impact on access to, and management of, material systems and ultimately service delivery.	Rod Thomson	March 2016
2.	Regularly monitor and review delivery against the second year of the Council's Business Plan and Financial Strategy and adjust plans as required at Director and Cabinet levels to achieve a balanced budget. Ensuring that supporting strategies, i.e. ICT and Workforce development align closely.	Failure to meet savings and income targets resulting in an illegal budget, leading to an inability to deliver vital services.	James Walton (all Directors input)	March 2016
3.	Regularly monitor and review delivery of the Council's Business Plan and Financial Strategy to deliver outcomes whilst managing demand and delivering value for money through commissioning.	Failure to clearly articulate the strategic vision of the Council results in loss of momentum to deliver the redesign outcomes from the business planning process and associated workforce transformation. Failure to re-design of the Council impacts on delivery of services to citizens of Shropshire.	Clive Wright (all Directors input and Head of Human Resources)	March 2016
4.	Ensure that the staffing	Insufficient capacity,	Clive Wright	March 2016

	Action	Strategic Risk	Lead Officer	Completion date
	<p>resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans. Especially for commissioning and ICT resources.</p> <p>Implement a workforce plan aligned to business plans and supported by our staff development processes.</p>	<p>experienced and qualified staff to sustain services during re-design</p>		
5.	<p>Continue to build appropriate governance arrangements into the commissioning Council to maximise value for money and ensure the best return for the local tax payer. Including:</p> <ul style="list-style-type: none"> • Developing a more cohesive and robust way of monitoring contracts as part of the re-design of Council functions. • Further clarifying commissioning intentions (stop/do/buy). • Coordinating operationalisation of locality working. • Improving transfer arrangements to ADMs. 	<p>Inadequate governance arrangements in place to manage the transforming Council (and business as usual governance to support the re-design process) resulting in poor quality service, longer delivery times or higher cost of transformation. Insufficient standardisation and consistency within contract management and monitoring results in failure to support our outcomes and achieve value for money, efficiencies and innovation as we move towards becoming a commissioning council.</p>	<p>George Candler (all Directors input)</p>	<p>March 2016</p>
6.	<p>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</p>	<p>Implementation and impact of alternative service delivery vehicles (e.g. ip&e ltd) resulting in de-stabilised remaining services.</p> <p>Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.</p>	<p>Clive Wright (all Directors input)</p>	<p>March 2016</p>

	Action	Strategic Risk	Lead Officer	Completion date
	implementation decision. Business cases should follow the guidance available on the Intranet.			
7.	Review safeguarding governance arrangements and processes in consultation with key stakeholders	Failure to safeguard vulnerable adults and children	Stephen Chandler and Karen Bradshaw	March 2016

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

73. Over the coming year, we propose to take steps to address the above matters to further enhance the Council’s governance arrangements. We are satisfied that these steps will address the need for improvements identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader

CEO/ Head of the Paid Service

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK 2014/15

