

# SHROPSHIRE COUNCIL

## ANNUAL GOVERNANCE STATEMENT

### 2015/16

#### 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.
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 its functions. This 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://staff.shropshire.gov.uk/committee-services/documents/s11249/Part5CodesandProtocols.doc.pdf>. This statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, 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 31<sup>st</sup> March 2016, 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 on request.

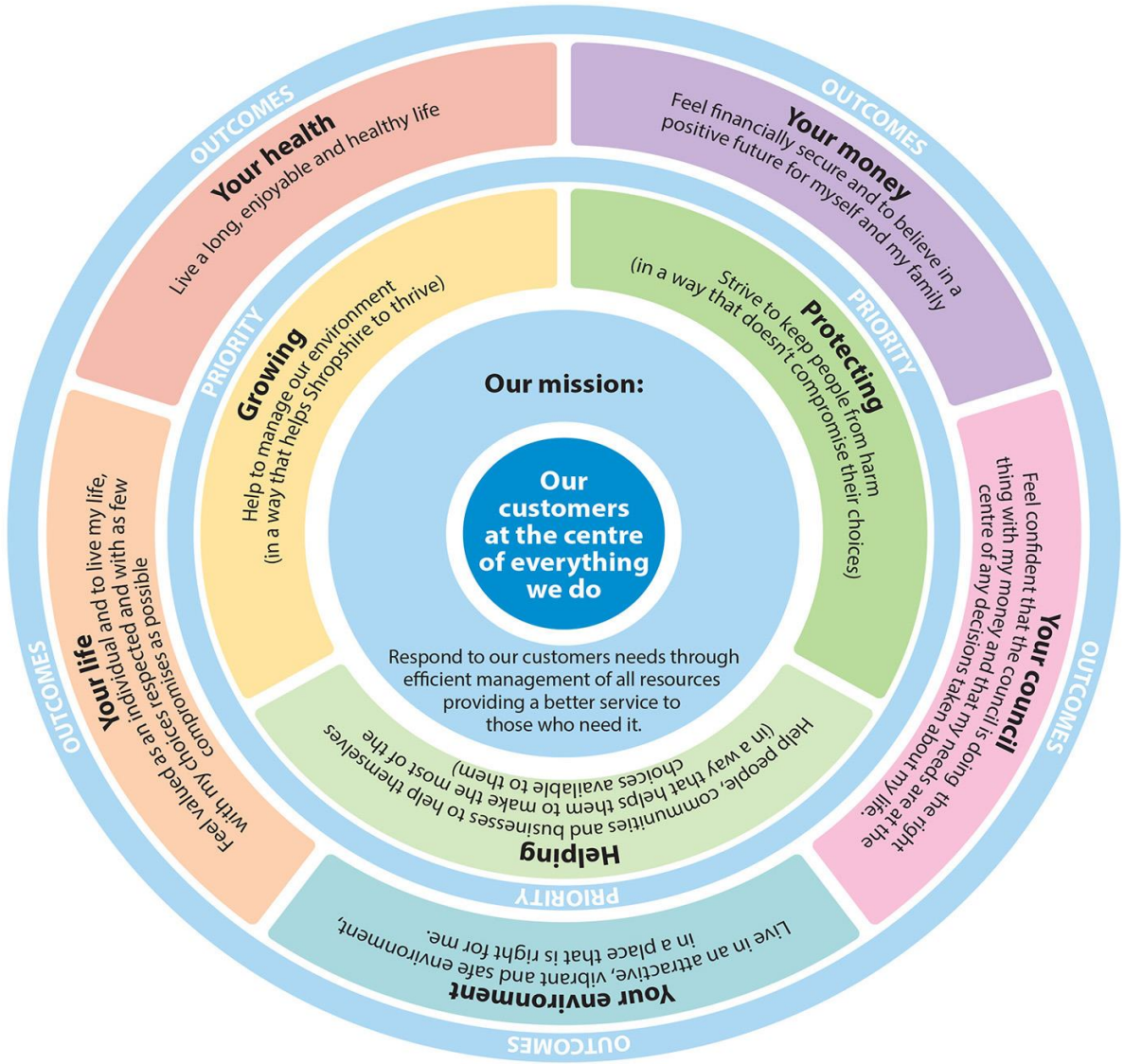
## Leadership and behaviour

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's main roles are: to report on matters she believes are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of Councillors and Officers and to be responsible for the operation of the Council's Constitution. **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. The incumbent Leader's resignation in November 2015 brought about a change in Leader and Cabinet members. Key decisions are published in the Executive Forward Plan and are discussed with Council officers at a meeting of the Cabinet, 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. Decisions outside of the budget or policy framework 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 Section 151 Officer) and the Monitoring Officer (Head of Legal and Democratic Services) the roles of whom 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 conform 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 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. He devolves formally 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 proposed 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 and members and appropriate induction sessions are arranged for all new staff and members.
16. The Head of Legal and Democratic Services is also 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 handling and 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 and the Monitoring Officer.
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 visits places of work regularly 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 2016/17. 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 commissioned a review of its Inspiring Partnerships and Enterprise initiative (ip&e), comprising two companies: ip&e Limited and ip&e Trading. The review sought to determine if the company had achieved its objectives as a wholly owned separate trading entity or whether the business activities, commercial practice and income generation could be achieved more efficiently and effectively within the Council or another entity. The review agreed to cease the Company's operation and return the services to the Council. A high level Directors' Commissioning Group was established to monitor the overall progress of all new delivery models. Individual directors are responsible for the effective management of change and transformation in their areas but also report through to this Group, where relevant. The Council will review the close down of ip&e and the separate external audit of ip&e yet to be completed and will identify opportunities for learning arising therefrom. This will be reported as appropriate to the Audit Committee and, as far as is relevant and necessary, in the 2016/17 Annual Governance Statement of the Council.



21. 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.
22. The initial savings required for the period 2014-17 were agreed by Council in February 2014. Over the three year period, savings of £80m were identified as required, £66.333m by 2015/16.
23. In February 2015, review of progress on achievement of savings to set the 2015/16 budget identified some slippage in achievement and also further savings required to offset growth of £28.442m.
24. Throughout 2015/16 regular monitoring reports have been considered by Cabinet. The monitoring considers both achievement of savings and other expenditure and income variations. 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 2015/16 budget, the details of which appear in the quarterly revenue monitoring reports to Cabinet.
25. In February 2016, Council agreed the financial strategy for 2016/17 to 2018/19. For 2016/17, which was the third and final year of the financial strategy 2014-17, projections of resources and expenditure have been revised and, after taking into account slippage on achievement of 2015/16 savings and new pressures identified largely in Adults services, proposals to meet a funding shortfall of £47.474m were agreed.
26. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Governance Structure of officers and members which has key responsibilities for maintaining the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
27. The strategic risks to the Council have been identified. Action plans have been prepared to mitigate these risks and are aligned to them. The plans are designed to minimise disruption to the delivery of the Council's outcomes where possible. The strategic risks are updated bi-monthly and reported to the Directors and informal Cabinet meetings. All committee reports include a section on risk assessment and opportunities appraisal and all risks are allocated an owner.
28. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
29. The Council regularly consults with the public on strategic decisions and service developments. During 2015/16 the Council responded to the increasing challenge of reducing funding from Government and the need to make hard decisions about how services will be delivered in the future by developing and launching the Big Conversation. Split into two phases, the Big Conversation combines communication with the development of a sustainable engagement framework. The first phase utilised external expertise from a national market research company (Pye Tait Ltd) and used a survey, focus groups and action planning workshops to develop a comprehensive and statistically viable view of perceptions relating to the Council's Financial Strategy 2016/17 to 2018/19. The findings have informed the decision to raise Council Tax by the maximum 1.99% as well as the 2% precept for Adult

Social Care, and confirmed the Financial Strategy focus on which service areas should be protected in future years. They also informed ongoing work with public sector partners, town and parish councils, the Voluntary Community and Social Enterprise sector, communities and individuals to see if there are different ways of delivering services which are valued in communities with little or no money. The second phase of the Big Conversation will run from April 2016 and will develop the sustainable engagement framework for the Council and its partners.

### **Locality commissioning**

30. Shropshire Council has continued to commission services and activity locally, developing a number of commissioning models which have resulted in a range of community based activities being delivered differently. Soft market testing, use of local intelligence and consultation enable robust assessments of need to be undertaken. This leads to the design of services and activity that reflects both strategic and local need. In 2015/16 a number of library services and Customer First Points, plus activities for young people have all been commissioned locally. The Council has also been able to delegate the responsibility for the provision of youth activity to Shrewsbury Town Council and transfer areas of amenity land and public open space to town councils. These approaches enable a very local design for the management of services and assets along with the opportunity for other resources, such as external funding, volunteers and other assets to be employed and maximised to add value for communities.
31. Reports taken to Cabinet describe the council's approach to the redesign of the library service and customer service points, and the locality commissioning of youth activity.
32. Shropshire Council's Local Joint Committees (LJCs) are instrumental in the locality commissioning process, either by commissioning taking place through them, as with youth activity, or by providing local intelligence that informs commissioning design. LJCs continue to provide a local public forum for discussions on services and assets to take place as well as providing a local partnership structure for Shropshire Council and town and parish councils. There will be a review of the LJCs in 2016/17 to ensure that they evolve in line with the changes affecting Shropshire Council, town and parish councils and communities.

### **Commissioning**

33. During 2015/16 the Council reviewed the functions which support effective commissioning and developed a support unit to work across the Council. The Commissioning Support Unit brings together teams that:

- acquire and manage data;
- provide engagement;
- collect and analyse feedback developing insights;
- provide performance management and policy advice;
- support and develop intelligence;
- support effective procurement and contract management;
- Support strategic commissioning development.

Short term benefits are already emerging with better sharing of skills and knowledge and the building of working groups around topics and issues. The new unit enables the right challenge and support to be integrated into teams with operational staff and lead senior officers/commissioners, and supports the move to intelligence driven decision making.

### **Contracts review**

34. One of the key areas of work for the Commissioning Support Unit team continues to be the establishment of a consistent approach to contract management that ensures key principles are followed in order to develop a more cohesive and robust way of monitoring and managing

contracts. An analysis is underway looking at the top 80% by value of contractor expenditure and reviewing and matching this against the specific contractual arrangements and documentation in place. This will identify the contractual arrangements currently in place and ensure there is a central electronic repository of procurement and contract documentation in order to assist commissioners when re-commissioning or decommissioning services. This will also assist the Council to ensure that consistent outcomes, values and performance measures are built into new contract arrangements. Finally, this work will assist in the development of a contract management framework together with guidance for commissioners and help to target ongoing skills development requirements.

### **Counter fraud**

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 senior management 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 leadership toolkit. Staff can discuss development needs with their manager and identify relevant training from a core skills programme. Managers have access to a management development programme and supporting toolkit covering HR related topics. An organisation wide coaching group provides support using a range of tools to help people through change.
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 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 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 works towards best practice in partnership arrangements. A cross sector Change and

Compact Group leads compact work for the County ensuring it is considered in all strategic change projects, new policies and integrated into cross-sector projects.

42. The VCS Assembly has around 250 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 disability, health and social care, criminal justice etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities. It works to establish cross sector working and co-production in the development of new policy, programmes and guidance. Public sector representatives work closely with the VCS Assembly representatives through the VCS Assembly Board and a wide range of task groups linked to local partnership structures.
43. 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. The Health and Wellbeing Board acts as the coordinating body for health and social care related areas of partnership.
44. There are weekly Chief Operating Officer Meetings between Social Care, Shrewsbury and Telford Hospital (SATH), the Clinical Commissioning Group (CCG) and Shropshire Community Trust. On a case by case basis in relation to Clinical Health Commissioning (CHC) funding, agreement is reached through a multi-disciplinary CHC process which includes a social worker assessment. CHC funding income is reviewed on a monthly basis by senior managers in adult social care and a dispute process is in place. The Head of Operations has regular meetings with the CHC lead nurse at the CCG.
45. Better Care Fund activity is reviewed through the Health and Wellbeing Delivery Group and Health and Wellbeing Board. The Transforming Care Partnership (TCP) Board is joint with Telford and Wrekin and reports to the Health and Wellbeing Board. The TCP Board includes senior managers in adult social care.
46. The Strategic Transformation Plan is being developed with health and social care partners across the whole health and social care economy including Telford and Wrekin
47. 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'. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

## **Review of effectiveness – how does the Council know its arrangements are working?**

48. 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.

**The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:**



49. 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 of the Council or steps are being taken to address known areas of weakness.
50. 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 is 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.
51. The Council has implemented the actions agreed in the 2014/15 Annual Governance Statement. A summary of which appear below:

**An Information Communications Technology Strategy has been implemented**

Work to develop the ICT strategy is underway, but is delayed slightly. The Council has experienced difficulties in appointing a Head of IT to lead on this.

**Improved governance arrangements for commissioning and the robust monitoring of contracts are in place**

A review of the top fifty contracts was completed and a single team (Commissioning Support Unit) established to manage and monitor all of the key areas across the commissioning cycle including contract management. A central electronic repository of procurement and contract documentation is being established alongside development of a contract management framework with guidance for commissioners and help to target ongoing skill requirements.

The Commissioning Approach web based tool was updated to further enhance this area. New governance arrangements were put in place (Commissioning Directors' Group) to ensure all new commissioning, recommissioning and decommissioning has a single avenue for approval.

Commissioning of new youth activity has taken place through the Local Joint Committees, coordinated by the Community Enablement Team. A locality commissioning approach has also been taken to transfer the management of local libraries and customer service points to community based organisations, led by the Area Commissioner and Locality Commissioning Managers. Further opportunities will be progressed in 2016/17 with town and parish councils and local voluntary sector organisations.

**The Council's Business Plan and Financial Strategy has been regularly monitored to deliver a balanced budget**

The Council continued regular monitoring and review of delivery against the second year of the Council's Business Plan and Financial Strategy and adjusted plans as required at Director and Cabinet levels to achieve a balanced budget for 2016/17. This was achieved and approved by Council on 25 February 2016.

The Corporate Plan, ICT and Workforce Development Strategies are all in development, but have been progressed significantly, specifically for alignment to the new Medium Term Financial Plan and 2017/18 Budget.

**The Council's Business Plan and Financial Strategy has been regularly monitored to deliver outcomes through commissioning**

The Council continued regular monitoring and review of delivery against the second year of the Council's Business Plan and Financial Strategy to deliver outcomes, whilst managing demand and exploring different delivery methods through commissioning. Following lessons learnt in 2015/16, it has refreshed its business plan and financial strategy and reviewed its approach to commissioning which has led to significant changes and the drafting of a Corporate Plan to redirect Council services.

A new model of commissioning youth activities based on identified need using a needs analysis including one around rurality was developed. This replaced the former universal approach that the Council adopted. Commissioning of youth activities has been led at a local level via the Local Joint Committee's and local members to maximise the local intelligence and to ensure value for money on the reduced budget that was available. Work was undertaken to review a number of bus routes including the Park and Ride service and to encourage competition in the corresponding marketplace. As a result of this work £497k annual savings have been achieved with little change to the outcomes originally scoped.

**A workforce plan aligned to business plans and supported by our staff development processes is implemented**

Staffing 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 the Council has invested in consultants to meet an interim skills gap and, although unsuccessful in recruiting a Head of IT, has moved quickly to progress a solution.

**Robust business cases for any project involving redesign and new delivery models are in place**

Guidance for providing business cases was reviewed, updated and requires the inclusion of key areas:

- Service description and vision;
- Full options appraisal of the alternative delivery models;
- Financial statement;
- Market assessment;
- Staff assessment;
- Summary of assets being included (if a service is transitioning out of the Council);
- Equality impact and social inclusion needs assessment;
- Risk assessment;
- Timescales and timetable of activity.

The comprehensive business case is now subject to a robust decision making process:

- The officer with lead responsibility for the redesign or new service delivery model
  - a. Ensures that the business case meets the expectations of the guidance and that the information provided is accurate and allows for the decision making process to be followed.
  - b. Is accountable for considering the need to communicate the business case to directors and the appropriate portfolio holders throughout the process.
  - c. Ensures that the business case and supporting report is subject to approval by Shropshire Council's Cabinet.
- Shropshire Council's Cabinet have the opportunity to accept the business case, ask for further information, or reject it.
- Once approved, the lead responsible officer is accountable for implementing the recommendations and next steps to progress the Business Case.

Whilst the business case process is well documented, the consistency and quality of its application has been variable. Increased communication, challenge and adoption of the process is required.

### **Safeguarding governance arrangements have been reviewed**

Adult and Children's Services are continually reviewing Safeguarding processes in light of new and emerging guidance, national and local issues. A review of the governance arrangements for the key health, well-being and safeguarding forums has commenced but has not yet been completed, and is continuing through 2016/17. An Independent Adult Safeguarding Board was re-established, April 2015, in accordance with requirements of the Care Act with an independent Chair; a Designated Adult Safeguarding Manager (DASM) is in place; there are regular Care Quality Commission (CQC) liaison meetings held jointly with Telford to monitor the quality of independent care provision; regular meetings are held with Healthwatch<sup>1</sup> to agree activity relating to enter and view inspections to gather user and patient experiences. These are reported to CQC liaison meetings.

A review of Deprivation of Liberty Safeguards (DOLS) activity has been undertaken and the Director of Adult Social Services' (ADASS) risk matrix has been applied and included in the

<sup>1</sup> Healthwatch Shropshire is the health and social care champion for people and local communities in Shropshire

use of light touch assessments. These are reviewed by senior managers on a regular basis and the annual position has been reported to Directors and Cabinet; In addition, annual training for DOLS authorisers is undertaken.

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52. 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.
53. 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 primarily 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. This has now been the case for several years, and although it is acknowledged that significant resource and prioritisation has been applied to manage this risk, it was also accepted that it may take several years for the necessary improvements to be implemented and embedded sufficiently to attain appropriate assurance levels. The issues currently identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must continue to prioritise implementation of plans to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, it should be said, there has been no evidence of significant IT business failure or other error that could result in a material misstatement in the Council's accounts and reliance can still be placed upon it for that purpose.
54. Members and officers have been advised on the implications of the Audit Committee's review of the effectiveness of the governance framework, and that the issues identified are sufficient to warrant the Audit Service Manager qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address those issues. Audit Committee continue to monitor planned improvements.
55. In their Audit Findings for the year ended 31 March 2015, the External Auditor provided an unqualified opinion on the financial statements and an unqualified Value for Money (VFM) conclusion. In respect of internal controls a high level recommendation was made; 'Management should strengthen ICT resilience during a major event in relation to business continuity and disaster recovery to reduce the risk that access to and functionality of significant data could be considerably compromised.' Management actions have been agreed to address this risk.
56. The External Auditor also issued an unqualified opinion on the Pension Fund for the year ended 31 March 2015.
57. Given the uncertainty in relation to future funding mechanisms for Local Authorities and the Council's ability to set a sustainable budget for future years, a financial Health Check was commissioned from the Local Government Association. The outcomes and recommendations arising from that review have been considered and a small number of improvements to processes and governance have been implemented.
58. Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from senior management. Cabinet members

receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on performance in their area highlighting matters which require improvement.

59. 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.
60. During 2015/16 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), maintained their compliance status with CQC. Four Rivers Nursing Home was inspected in autumn 2016 and achieved a good rating.
61. During the year a further registered service, Kempfield, was transferred to an external provider. The service has maintained its registration and compliance status following transfer.
62. Adult Social Care services senior staff have participated in the regional peer review programme as peer assessors. The learning from being involved as a peer assessor will inform the Council's preparations for its own peer review later in 2016.
63. Adult Social Care continues to participate in regional and collaborative work. During 2015/16 adult social care participated in a review of carers support services commissioned by the NHS and examples of both good practice and where outcomes could have been different for carers have been include in the resulting report.
64. The Adult Social Care Senior Directorate Management team meetings have included regular reviews of the introduction the new Care Act Legislation and assured themselves of compliance.
65. The Health and Adult Social Care Scrutiny Committee continued to receive a variety of reports and reviews of adult social care. During 2015/16 two previously externalised care services, Community Living and Shared Lives, which are both CQC registered services, have been subject to Scrutiny which included Members meeting the service users that these services support as well as the care staff who deliver the service to hear their views first hand
66. Schools' performances, as measured by Ofsted inspections have continued to improve over the last two years. In December 2014 69 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 75 per cent of pupils attended good or outstanding secondary schools. In March 2016 76 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 78 per cent of pupils attended good or outstanding secondary schools. Over the same period the proportion of good and outstanding Shropshire primary schools has risen from 82 to 84 per cent and the proportion of pupils attending good or outstanding primary schools has remained at 84 per cent. In March 2016 one secondary academy and two primary schools were in special measures categories. When an LA maintained school is judged to require special measures 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.
67. Ofsted last 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 potential for good 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 improvements continue. 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 continued through 2015/16. In June 2015 a Peer Review took place conducted by the LGA. This is an extensive review and identified areas of good practice as well as areas for improvement. An Internal Improvement Board has been established to oversee the implementation of the Action Plan.

68. Shropshire's children's homes: Chelmaren and the new short breaks provision at Havenbrook were both inspected twice in 2015/16. Chelmaren was rated as outstanding at full inspection in November 2015 and the interim inspection in February 2016 adjudged that it had sustained effectiveness. Havenbrook was rated as "requires improvement" at full inspection in December 2015 but the interim inspection in February 2016 adjudged that it had improved effectiveness.
69. Direct quotations from the 2016 Chelmaren inspection include: "Staff have an excellent knowledge and understanding of safeguarding. They are extremely competent in identifying the risk factors that influence young people's behaviours and work with young people and other agencies to reduce these", "Staff receive excellent support and training from the registered manager" and "Partnership working arrangements between the home, education providers and health services are very effective". Direct quotations from the 2016 Havenbrook inspection include: "Young people are safe and say they feel safe. Staff provide support and assistance to create a safe and welcoming environment that helps them to feel at ease" and "The effective joint working with health, education and social services has enabled young people to improve their, social, emotional and physical well-being". During verbal feedback the inspector also described Havenbrook as having innovative development in edge of care provision for young people and she felt others would most certainly be following suit. She felt the need for such service had been known for some time but no one had been "visionary or brave" enough to take the first step and she noted the approach very positively as "a service that will be the envy of other LA's".
70. During 2015/16 two inspections of children's centres took place, a single area inspection of Severn Valley was graded as "good" and a Borders area group inspection was graded as "requires improvement". An action plan is in place and reviewed quarterly.

## **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 2016/17 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 strive to achieve the following outcomes:

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
1.	Regular Sound engagement is in place between health and social care for the future provision of services, which includes the agreement of Clinical Health Commissioning funding on a case by case level through to service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan.	Differences in culture and priority between the Council and key NHS partners leads to the risk of higher than necessary costs to both Health and Adult Social Care	<p>Delivery against the BCF programme and Health and Well Being Board three Exemplar Projects</p> <p>Agreement for Continuing Health Care funding agreed on a case by case basis using jointly agreed risk tool</p> <p>Service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan in conjunction with the Health and Wellbeing Board.</p> <p>Public Health to be focussed on short term evidence based cost reducing interventions</p> <p>Overspend on discharge from hospitals is brought under control</p>	<p>Rod Thomson</p> <p>Andy Begley</p> <p>Andy Begley</p> <p>Rod Thomson</p> <p>Andy Begley</p>	<p>March 2017</p> <p>June 2016</p> <p>April 2016 and onwards</p> <p>June 2016</p> <p>June 2016</p>
2.	The Council is considering	Failure to be	Involvement in three way	George Candler	June2016

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	<p>devolution opportunities with at least four partners:</p> <ul style="list-style-type: none"> <li>• The Marches</li> <li>• West Midlands Combined Authorities</li> <li>• Northern Gateway</li> <li>• Middle England Authorities</li> </ul>	involved will weaken Shropshire's opportunity to maximise financial rewards that in turn will drive economic growth in the area.	<p>discussions, shaping the devolution proposals with T&amp;W and Herefordshire Councils</p> <p>Involvement with WMCA to understand and be at the forefront of key strategic thinking decision making</p> <p>Partner on the Northern Gateway Partnership to maximise opportunities from the HS2 Crewe station development along the A500 corridor</p> <p>Exploring shared opportunities with other adjacent authorities (Staffs CC, Cheshire East, Powys) in areas such as shared services, skills or staff</p> <p>Development of Local Growth Fund 3 Bids</p> <p>Submission for funding from the Local Majors Fund to develop an outline Business Case for the North west Relief Road</p>	<p>George Candler</p> <p>George Candler</p> <p>George Candler</p> <p>George Candler</p> <p>George Candler</p>	<p>March 2017</p> <p>March 2017</p> <p>March 2017</p> <p>June 2016</p> <p>July 2016</p>
	Shropshire Council has maximised all opportunities from the Marches LEP				



	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	There is an Economic Vision and Strategy for Shropshire		Economic Development Needs Assessment being delivered by Oxford Economics	George Candler	July 2016
			Shropshire Council working in partnership with IPPR (North) to co-design the vision and strategy	George Candler	Sept 2016
3.	<p>The Council is communicating where it is going to all stakeholders through an approved Corporate Plan and associated strategies (E.g. workforce and IT).</p> <p>There are clear links between service delivery and the Corporate Plan.</p>	<p>Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes</p> <p>Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.</p>	<p>Completion of Draft Corporate Plan</p> <p>Strategies, policies and service plans reviewed to ensure delivery of Corporate plan</p>	<p>Clive Wright</p> <p>Clive Wright</p>	<p>June 2016</p> <p>December 2016</p>
4.	<p>The Council's IT Strategy is established and underpins the Corporate Plan.</p> <p>IT solutions and systems have robust controls embedded within them to ensure business continuity</p>	<p>Failure of existing systems could result in significant impact on service delivery and disruption to business activities.</p>	<p>IT strategy drafted</p> <p>Work completed on IT system controls and reported to Directors on a monthly basis.</p>	<p>Clive Wright</p> <p>Karen Davis / Paul Voogt</p>	<p>31 May 2016</p> <p>Monthly</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	in the event of a disaster.	Failure to implement an ICT Digital Transformation Programme to provide ICT solutions to support business applications, will impact the strategic direction of travel.			
5.	A balanced budget is achieved and resources allocated and managed effectively within known financial constraints.	<p>Inability to set a sustainable budget with the resources available, resulting in services not being delivered.</p> <p>Lack of clarity from Central Government on the future funding levels and increased uncertainty re: local resources, which inhibits the ability to calculate future budgets.</p> <p>A funding methodology that disadvantages</p>	<p>Financial Strategy approved and communicated</p> <p>Service plans reflect any proposed changes to budgets and senior managers complete and report on regular budget monitoring reports to Directors</p> <p>Directors provide robust challenge of achievements against the financial strategy.</p>	<p>James Walton</p> <p>Clive Wright</p> <p>Clive Wright</p>	<p>July 2016</p> <p>August 2016</p> <p>August 2016</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		Shropshire results and certain inability to deliver statutory duties.			
6.	<p>Human resources are skilled, knowledgeable and appropriate to deliver the Council's Corporate Plan. Especially in the areas of ICT and commissioning.</p> <p>Structural changes aligned to business plans are consulted upon, supported by staff and members, implemented and monitored for effectiveness.</p>	<p>Inadequate retention and recruitment of experienced and qualified staff results in insufficient capacity and experience to sustain the Council's service provision.</p> <p>Insufficient mechanisms in place to report and manage work related stress results in increasing levels of staff absence and compromised service delivery.</p> <p>Risk of challenge from unions to required and proposed organisational restructures and</p>	A Workforce Strategy is in place to complement and deliver the Corporate Plan.	Michele Leith	May 2016

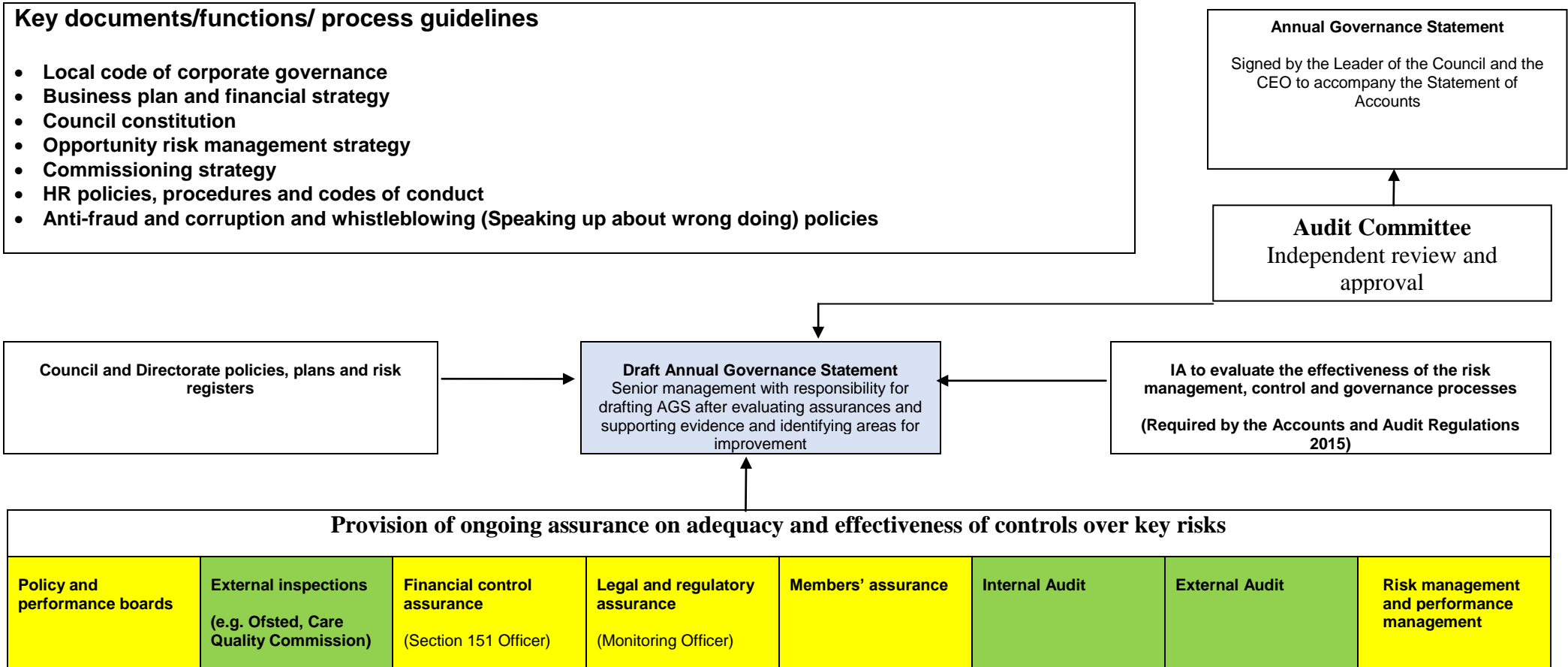
	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		the possibility to gain support in a wider public arena against these changes.			
7.	Adults and children and children are safeguarded. There are supporting governance arrangements and processes in place and consultation with key stakeholders.	Failure to safeguard vulnerable adults and children	Performance measures are under development for inclusion in an annual adult safeguarding report	Andy Begley	March 2017

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, the Council propose to take steps to address the above matters to further enhance its governance arrangements. It is 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 its next annual review.

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Leader

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CEO/ Head of the Paid Service

**ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK 2015/16**



Key to levels of assurance
First line of defence
Second line of defence
Third line of defence